DOCUMENT RESUME

ED 230 697 CE 036 055

TITLE	National Commission for Employment Policy Sixth Annual Report to the President and the Congress. Including Findings and Recommendations on Economic Development and Jobs for the Structurally Unemployed. Report No. 10.
INSTITUTION	National Commission for Employment Policy (DOL), Washington, D.C.
PUB DATE	Dec 80
NOTE	235p.
AVAILABLE FROM	National Commission for Employment Policy, 1522 K Street NW, Washington, DC 20005.
PUB TYPE	Reports - Descriptive (141)
EDRS PRICE	MF01/PC10 Plus Postage.
DESCRIPTORS	Adults; Blacks; Career Change; Cooperative Programs; *Disadvantaged; *Economic Development; Employed Women; Employment Problems; *Employment Programs; Federal Programs; Females; Hispanic Americans; Institutional Cooperation; Job Layoff; Job Training; Labor Force Nonparticipants; Legislation; Minority Groups; Policy Formation; Postsecondary Education; *Public Policy; Rural Development; Secondary Education; *Unemployment; Vocational Education
IDENTIFIERS	Comprehensive Employment and Training Act; *Structural Unemployment

ABSTRACT

According to this annual report, the National Commission for Employment Policy concentrated on two primary areas during 1980. Much of its efforts were directed to exploring how the coordination between federally funded economic development programs and employment and training programs could be improved in order to expand employment opportunities for the structurally unemployed in distressed urban and rural locations. The other primary thrust of the commission's work during the year was to assess how federally funded employment and training programs, in particular Comprehensive Employment and Training Act (CETA) programs and vocational education, could better serve the needs of disadvantaged White, Black, and Hispanic women--a high proportion of whom are trapped on welfare or have access only to the low-paying jobs traditionally held by women. Seven recommendations were generated concerning the increase of job opportunities for the structurally unemployed through cooperation with economic development programs and changing regulations to permit such cooperation. Also included in the annual report are a chapter on the relation of monetary and fiscal policies to employment and training policies and an overview of the employment and training system. (KC)

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National Commission for Employment Policy

Sixth Annual Report

Including Findings and Recommendations on Economic Development and Jobs for the Structurally Unemployed

CE 036 055

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The National Commission for Employment Policy
Report No. 10
1522 K Street, NW
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Washington, D.C. 20005
December 1980

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December 31, 1980

TO THE PRESIDENT AND CONGRESS OF THE UNITED STATES:

In accordance with the provisions of PL 95-524, I am pleased to forward the Sixth Annual Report of the National Commission for Employment Policy.

The Commission directed much of its efforts during 1980 to exploring how the coordination between federally funded economic development programs and employment and training programs could be improved in order to expand employment opportunities for the structurally unemployed in distressed urban and rural locations. Our major findings and recommendations are summarized at the beginning of our Report.

The other primary thrust of the Commission's work during the past year has been to assess how federally funded employment and training programs, in particular CETA and vocational education, could better serve the needs of disadvantaged white, black and Hispanic women--a high proportion of whom are trapped on welfare or who have access only to the low-paying jobs traditionally held by women. The findings and recommendations of the Commission on Increasing the Earnings of Disadvantaged Women will be released early in 1981.

Also included in this Sixth Annual Report are two important contributions prepared by the staff: a chapter on the relation of monetary and fiscal policies to employment and training policies and an overview of the employment and training system.

The Commission appreciates the opportunity that it has had to address important employment and training issues confronting the American people, particularly those with labor market handicaps, and looks forward to the challenge of developing new recommendations aimed at improving the job opportunities of all Americans.

ELI GINZBERG
Chairman

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PART I

FINDINGS AND RECOMMENDATIONS

FINDINGS AND RECOMMENDATIONS ON ECONOMIC DEVELOPMENT AND JOBS FOR THE STRUCTURALLY UNEMPLOYED

The National Commission for Employment Policy has the responsibility, under its congressional mandate, to explore the coordination of employment with related Federal programs and to advise on their effective integration. Accordingly, the Commission decided that it would focus a major effort during 1980 on assessing how Federal programs provided to improve employment prospects of the structurally unemployed could be more effectively coordinated with Federal economic development programs designed to assist economically distressed areas--including the expansion in these areas of jobs for the structurally unemployed.

I. SUMMARY OF RECOMMENDATIONS

Recommendation 1: To ensure that an increased proportion of the jobs generated by economic development policies goes to the structurally unemployed, Federal, State and local officials, in cooperation with the educational authorities and employers, should:

- o make explicit efforts to provide training and job search assistance to the unemployed so that they can fill many of the new jobs;
- o locate jobs within the area where the structurally unemployed live or within a reasonable commuting distance;
- o accelerate efforts to reduce discrimination in housing and employment;
- o work with community- and neighborhood-based organizations of demonstrated effectiveness in the planning and implementation of development projects.

Recommendation 2: The Federal Government should increasingly focus its economic development funds on locations characterized by large concentrations of structurally unemployed persons. Since the extant statistical reporting systems cannot provide the Federal Government with reliable information about concentrations of

structurally unemployed persons within specific rural and urban areas, Federal allocations should provide the chief elected officials at State, county, and city levels flexibility so that more of the funds can be used for projects that are accessible for the structurally unemployed. These officials should be held responsible for using Federal economic development funds to expand jobs for the structurally unemployed.

Recommendation 3: Federal officials, in collaboration with prime sponsors, should continue and intensify efforts to ensure that a portion of all new jobs created through economic development activities goes to the disadvantaged. State and local governments should seek to integrate CETA and other training programs into any development assistance that they provide employers.

The Commission cautions against setting nationwide quotas for hiring the structurally unemployed. The potential for the increased employment of the structurally unemployed depends on many factors, including the characteristics of the industry, the area, and the composition of the local labor force. Commitments by employers to hire the structurally unemployed should be negotiated at the local level.

Recommendation 4: Responsible Federal officials should seek to improve the coordination between federally funded economic development programs and federally funded or assisted training programs including, in particular, CETA and vocational training supported by the Veterans Administration and the Department of Education. In these efforts the active involvement of the private sector should be sought and encouraged to be sure that the training is relevant and that those who have qualified are employed. The Office of Management and Budget should take the initiative to simplify and coordinate the planning and reporting cycles and requirements of the affected Federal agencies.

Recommendation 5: The Office of Management and Budget should oversee a review of each agency's regulations to assure that they are not impeding the development among grantees of stronger linkages between economic development and training activities. Special efforts should be made to review and revise the Department of Labor's administrative and regulatory procedures so that training programs can be integrated more fully into local development projects.

Recommendation 6: The Congress, the Office of Management and Budget, and the Department of Labor should develop a procedure for authorizing and appropriating on a multiyear basis CETA training funds that are linked to approved economic development projects.

Recommendation 7: To increase the effectiveness of the Federal programs that are directed to speeding the development of rural America and to ensure that the unemployed and underemployed are benefited by such efforts:

- The Secretary of Agriculture, in accordance with the provisions of the Rural Development Policy Act of 1980, should mount an effort to increase the ability of small towns and rural areas to plan and administer coordinated development and training programs.

- Appropriate Federal and State agencies should be encouraged to cooperate with the Secretary of Agriculture in conducting this educational and technical assistance effort for these local officials.

- Rural community-based organizations should be included in this educational and technical assistance effort and should be involved to the extent possible in the implementation of such development projects.

II. FOCUS

The goal of economic development policies is to create new jobs. At the State and local levels, development efforts seek to maintain or improve the strength of local economies, whether or not such gains are at the expense of other areas. Federal economic development programs have two objectives: (1) they seek to stimulate private sector economic activity that would not otherwise occur anywhere in the Nation, and (2) they attempt to reduce economic inequality by increasing the number of job opportunities specifically in places where the unemployed and underemployed live.

In addition to these Federal economic development programs, other Federal activities, such as expenditures on the interstate highway system, the space program, the military, and energy activites affect regional variations in the growth of employment opportunities. While these are not commonly regarded as economic development programs, they have important consequences for regional growth and for the relative prosperity of cities and rural areas. Although the Commission has not examined the impact of these policies in detail, it advises that more effort be made to assess their employment consequences.

Greater efforts are also required to assess the employment consequences of Federal development programs. Current knowledge does not permit one to determine the amount of current Federal development efforts that result in the redistribution of jobs from one locality to another and the amount that produces net jobs in the economy as a whole. It is clear, however, that increasing net new output and net new job creation for the entire Nation should be the continuing goal of Federal economic development activities.

Federal development programs that are specifically designed to alleviate problems in economically distressed areas either directly create jobs or facilitate the creation of jobs. In addition, these programs have long sought to improve employment opportunities for disadvantaged people living in these depressed areas.

The Commission believes that, particularly in the absence of adequate methods for determining whether and to what extent economic development policies add to national output, economic development programs should aim to improve the employment prospects of the structurally unemployed who lack skills, face discrimination, or otherwise confront special barriers to jobs. Accomplishing this goal requires continuing emphasis on

integrating programs that train the disadvantaged with development programs that stimulate job creation in the areas where the disadvantaged live.

In preparing this report, the Commission has focused special attention on how economic development programs can better serve the needs of the disadvantaged, structurally unemployed members of our society. The Commission has explored:

- o When and how economic development policies can be effective in reducing structural unemployment.
- o How Federal resources can be better targeted on the structurally unemployed.
- o How coordination between economic development and employment and training programs can be improved to provide the optimal number of jobs for the structurally unemployed.

The Commission presents below its findings and recommendations on the effectiveness of place-oriented economic development policies in reducing structural unemployment among the disadvantaged. Additional documentation is found in Section II-C of the Sixth Annual Report.

III. EFFECTIVENESS OF ECONOMIC DEVELOPMENT POLICIES IN REDUCING STRUCTURAL UNEMPLOYMENT

A long-term objective of economic development programs has been to reduce pockets of poverty by promoting job creation in areas where the unemployed live. Hence, the Commission explored why such pockets persist.

The unemployed may not move to a location where the employment situation is more favorable because:

- o Some expect to return to their former jobs as soon as the temporary problem confronting their industry is corrected. Their opportunities in the industry to which they are attached, though uncertain, may appear better than their prospects in another location or industry. The current plight of many unemployed auto workers is a case in point.
- o Some, such as blacks or other minorities, may not be able to move to locations more accessible to an expanding job market because of housing discrimination. While minorities have relatively high intercity mobility they are often unable to relocate from the inner city to a suburban area.

- Workers with little experience and few marketable skills do not perceive that thay will improve their long-run employment and earnings prospects sufficiently to offset the financial and psychological costs of moving. Many minority youth belive that their prospects of securing desirable stable jobs in a booming region are little or no better than their job opportunities in the declining areas where they presently live.

- Lower living costs, particular amenities, and proximity to friends and relatives, combined with the costs of moving, may offset any potential employment gains from relocation.

Although Americans are highly mobile and the numbers who move during the course of a year are many times the number of long-term unemployed, we have just identified a number of groups that see little or no prospect for improving their economic well-being by moving. To the foregoing list must be added women heads of households, who are among the least mobile of all groups. Policies such as skill training to increase the employability of the unemployed, as well as policies that seek to reduce other barriers that currently reduce mobility should be encouraged so that the match between those who are unemployed and employers who are looking for workers is improved. But this positive approach through enhanced mobility is not a total, but only a partial, solution. A parallel approach must be found that aims to increase job opportunities for the structurally unemployed in locations where they currently live.

Economic development efforts that run counter to dominant market forces are difficult to implement. Research indicates that firms make locational decisions based on such critical issues as access to raw materials and labor, and proximity to markets, along with such other factors as the cost of doing business or the attractiveness of a particular location. Economic development policies typically can affect firms' locational decisions only marginally.

Community- and neighborhood-based development organizations located in the neighborhoods where structurally unemployed persons live often have the potential both for mobilizing necessary internal supports and for attracting external resources. Still, these organizations, as well as small businesses, often encounter serious problems in starting up and in maintaining themselves. The capital market in large cities is often reluctant to provide loans to such enterprises. In such instances, the availability of Federal grants, loans,

guarantees and technical assistance often helps to turn plans into realities. Also, in a growing number of communities, effective neighborhood rehabilitation has been undertaken through the combined efforts of Government, philanthropies, and corporations. When successful, such efforts have not only a beneficial effect on housing and living conditions, but have also led to new investments that create jobs, many of which have gone to previously unemployed local residents. Investment by the private sector has been much larger than the limited contributions of philanthropic organizations.

All this does not mean that when employment opportunities are retained or expanded in or near a depressed area, the jobs will necessarily go to the structurally unemployed.

- The structurally unemployed have to be aware of and able to reach the new jobs. For example, it is often difficult for central city residents to commute to new suburban jobs.

- Skilled workers may commute to or relocate close to the area where jobs are expanding with the result that the unemployed remain unemployed.

- Many development policies and programs focus on increasing the employment of large numbers of unskilled workers. While such a focus may have merit, it has serious drawbacks because such jobs pay close to the minimum wage, contribute little to total output, and do not enhance the international competitiveness of the U.S. economy.

Recommendation 1: To ensure that an increased proportion of the jobs generated by economic development policies goes to the structurally unemployed, Federal, State and local officials, in cooperation with the educational authorities and employers, should:

- Make explicit efforts to provide training and job search assistance to the unemployed so that they can fill many of the new jobs;

- Locate jobs within the area where the structurally unemployed live or within a reasonable commuting distance;

- Accelerate efforts to reduce discrimination in housing and employment;

- Work with community- and neighborhood-based organizations of demonstrated effectiveness in the planning and implementation of development projects.

IV. TARGETING ECONOMIC DEVELOPMENT FUNDS

A continuing challenge for policymakers is better targeting of funds to areas and people most in need. Federal apportionment policies rely heavily on the rates of unemployment and poverty as indicators of distress. To achieve the more effective targeting of economic development funds, the following factors must be taken into consideration:

- Monthly and annual sample household surveys do not provide reliable information about unemployment and poverty in small areas and the cost of obtaining reliable data would be prohibitive. Decennial Census figures are much more reliable. However, as the decade proceeds and neighborhoods change, accuracy of Census data for use in assessing the current economic conditions of individual communities diminishes rapidly.

- A large part of the variation in unemployment among different locations is due to factors other than long-term structural unemployment. Much of the variation is temporary and self-correcting. Some is due to the decisions of individuals to move to a particular location for non-job-related reasons, such as climate or other amenities.

Recommendation 2: The Federal Government should increasingly focus its economic development funds on locations characterized by large concentrations of structurally unemployed persons. Since the extant statistical reporting systems cannot provide the Federal Government with reliable information about concentrations of structurally unemployed persons within specific rural and urban areas, Federal allocations should provide the chief elected officials at State, county, and city levels flexibility so that more of the funds can be used for projects that are accessible to the structurally unemployed. These officials should be held responsible for using Federal economic development funds to expand jobs for the structurally unemployed.

V. IMPROVING THE COORDINATION BETWEEN ECONOMIC DEVELOPMENT AND EMPLOYMENT AND TRAINING PROGRAMS TO INCREASE THE NUMBER OF JOBS FOR THE STRUCTURALLY UNEMPLOYED

As noted above, many structurally unemployed individuals cannot take advantage of job creation opportunities unless they have had a prior opportunity to improve their skills and work habits. Further, they often need job search assistance to find employment in the private sector. This points up the importance of establishing a close link between job creation efforts targeted on the structurally unemployed and training programs directed to improving their employability.

In the first Federal economic development program, the Area Redevelopment Act of 1961, job creation efforts were directly linked with training activities. With the passage of the Manpower Development and Training Act in the following year, training programs were effectively severed from economic development programs.

There are now five major development programs at the Federal level. These include: the Community Services Administration, the Economic Development Administration, HUD's Urban Development Action Grants (UDAG) and Community Development Block Grants (CDBG), and the Farmers Home Administration's Business and Industry Loan Program. They are separate and independent, legislatively and administratively. Each of these programs has a different funding channel, employs a different planning and funding strategy, and operates under different regulations and reporting requirements. While the Federal funds for these programs go to many of the same communities, coordination among the programs at the local level is difficult and often minimal. The economic development programs that have had major impacts on structural unemployment demonstrate the importance of chief elected officials' leadership and authority in consolidating the programs within their jurisdictions, despite administrative obstacles.

Employment and training programs under the Department of Labor are administratively and legislatively separate and distinct from economic development programs. Training programs for the structurally unemployed were in large measure consolidated under the jurisdiction of Governors and local elected officials in the Comprehensive Employment and Training Act of 1973.

The recent Employment Initiatives and the Private Sector Initiative Program were designed to facilitate cooperation and coordination both between various economic development programs and employment and training programs, as well as between

Federal and private sector programs. These efforts are still in an early stage of implementation, and their full potential cannot be assessed until more evidence is in hand.

The Commission found that the coordination of CETA training programs with local development efforts is proving to be especially difficult. The Department of Labor, particularly at the regional office level (with a few exceptions), does not appear to have placed a high priority on the linkage with economic development efforts. Further, prime sponsors are prohibited from making commitments of funds to provide training beyond the current fiscal year, a condition necessary to ensure early linkages with long-term economic development programs. Forward funding for employment and training programs, earlier recommended by this Commission, would facilitate this outcome. Congress, while having authorized forward funding for CETA programs, has never appropriated funds for them. Moreover, the Office of Management and Budget has consistently opposed forward funding and advanced appropriations because such devices limit the President's capacity to manage the budget. The Commission believes that as a general policy it is not desirable to tie the President's hands in budgetary matters, but it finds in this instance that the inability to commit training funds beyond the current year is a barrier to the provision of development-induced private sector jobs for the structurally unemployed.

Finally, a major barrier to the development and execution of coordinated development and training programs is a lack of knowledge about the range of available programs and an absence of effective planning and management skills in many State and local governments. This is particularly critical in small towns and rural areas, but Congress in the Rural Development Policy Act of 1980 has laid the legislative base for ameliorating this problem.

Recommendation 3: Federal officials, in collaboration with prime sponsors, should continue and intensify efforts to ensure that a portion of all new jobs created through economic development activities goes to the disadvantaged. State and local governments should seek to integrate CETA and other training programs into any development assistance that they provide employers.

The Commission cautions against setting nationwide quotas for hiring the structurally unemployed. The potential for the increased employment of the structurally unemployed

depends on many factors, including the characteristics of the industry, the area, and the composition of the local labor force. Commitments by employers to hire the structurally unemployed should be negotiated at the local level.

Recommendation 4: Responsible Federal officials should seek to improve the coordination between federally funded economic development programs and federally funded or assisted training programs including, in particular, CETA and vocational training supported by the Veterans Administration and the Department of Education. In these efforts the active involvement of the private sector should be sought and encouraged to be sure that the training is relevant and that those who have qualified are employed. The Office of Management and Budget should take the initiative to simplify and coordinate the planning and reporting cycles and requirements of the affected Federal agencies.

Recommendation 5: The Office of Management and Budget should oversee a review of each agency's regulations to assure that they are not impeding the development among grantees of stronger linkages between economic development and training activities. Special efforts should be made to review and revise the Department of Labor's administrative and regulatory procedures so that training programs can be integrated more fully into local development projects.

Recommendation 6: The Congress, the Office of Management and Budget, and the Department of Labor should develop a procedure for authorizing and appropriating on a multiyear basis CETA training funds that are linked to approved economic development projects.

Recommendation 7: To increase the effectiveness of the Federal programs that are directed to speeding the development of rural America and to ensure that the unemployed and underemployed are benefited by such efforts:

- The Secretary of Agriculture, in accordance with the provisions of the Rural Development Policy Act of 1980, should mount an effort to increase the

ability of small towns and rural areas to plan and administer coordinated development and training programs.

- Appropriate Federal and State agencies should be encouraged to cooperate with the Secretary of Agriculture in conducting this educational and technical assistance effort for these local officials.

- Rural community-based organizations should be included in this educational and technical assistance effort and should be involved to the extent possible in the implementation of such development projects.

PART II

STAFF REPORT ON

EMPLOYMENT AND TRAINING

POLICY

INTRODUCTION TO STAFF REPORT ON EMPLOYMENT AND TRAINING POLICY

Beginning this year, the Commission staff will regularly devote its annual Staff Report to an extensive discussion of employment and training policy. While the Commission will continue to analyze particular topics in depth, these will generally be issued over the course of the year as separate Policy Reports. One, Increasing the Earnings of Disadvantaged Women, will be issued early in 1981.

In the past two decades under bipartisan support, elements of an employment and training system have been established and expanded in a piecemeal fashion. There has been little understanding that all of these separate pieces form part of an overall system and policy. Like any complex system, its constituent parts serve different, and occasionally competing, groups and objectives. Parts of the system work better than other parts and, as problems change, so do the relative sizes of various parts of this mixed public and private system. Numerous actors comprise the system, including the Federal Government, the States, local authorities, and community-based organizations. Jurisdictions at almost every level of the system are complex and overlapping. As Chart A shows, the principal Federal legislation is spread across several agencies and congressional authorizing committees.

When there are many target groups with many different problems, there need to be many different programs and policies. Consolidation of such activities is not necessarily desirable. However, the budget process alone forces analysis of the performance of the different components, both individually and collectively. As an independent body with broad mandate to analyze employment policy and report to both Congress and the President, the National Commission for Employment Policy and its staff must consider the complex employment and training system as a whole. This will be particularly important during the next few years when budgetary restraint will combine with the legislative calendar (see Chart A) to force comprehensive examination, if not reorganization. The Commission staff hopes that the evidence in this and subsequent Reports will help in the current national reevaluation of our employment and training system.

The Report this year consists of three sections. The first section deals with the economic environment over the next few years and the role of fiscal or tax policy in improving the employment situation of those groups in our society that both need help and could benefit from Federal policies. It is not possible to discuss employment and training policy without understanding how policies dealing with inflation affect both

CHART A

Reauthorization Schedule for Laws Relating to Employment Training

Law	Expiration	Authorizing Committee	Department/Agency
Comprehensive Employment and Training Act		Senate Labor and Human Resources House Education and Labor	Labor (ETA)
. Titles I, II, III, V, VI, VII, and VIII	September 30, 1982		
. Title IV (Youth)	June 5, 1981		
Targeted Jobs Tax Credit	December 31, 1981	Senate Finance, House Ways and Means	Labor/Treasury
WIN Tax Credit	None	Senate Finance, House Ways and Mens	Labor/Treasury
Economic Opportunity and Community Services Act	September 30, 1981	Senate Labor and Human Resources House Education and Labor	Community Services Administration
Vocational Education Act[a/]	September 30, 1982	Senate Labor and Human Resources House Education and Labor	Education
Career Education Incentive Act	September 30, 1983	Senate Labor and Human Resources House Education and Labor	Education
Elementary & Secondary[a/] Education Act	September 30, 1983	Senate Labor and Human Resources House Education and Labor	Education
Higher Education Act[a/]	September 30, 1984	Senate Labor and Human Resources House Education and Labor	Education
Adult Education Act[a/]	September 30, 1983	Senate Labor and Human Resources House Education and Labor	Education

[a/]These laws are forwarded funded and are usually reauthorized 1 year in advance. The General Education Provisions Act provided for an automatic 1 year extension of education bills in the event reauthorization is not completed in time to assure continuity of funding. The Higher Education Act of 1980 extends this to 2 years and authorizes appropriations to be available on a fiscal rather than calendar year basis.

CHART A (continued)

Reauthorization Schedule for Laws Relating to Employment Training

Law	Expiration	Authorizing Committee	Department/Agency
Older Americans Community Service Act	September 30, 1981	Senate Labor and Human Resources House Education and Labor	Health and Human Services
Trade Adjustment Assistance Act	September 30, 1982	Senate Finance, House Ways and Means	Labor/Commerce
Full Employment and Balanced Growth Act	None	Senate Labor and Human Resources House Education and Labor	The President
National Apprenticeship Act	None	Senate Labor and Human Resources House Education and Labor	Labor
Wagner-Peyser Act (Job Service)	None	Senate Labor and Human Resources House Education and Labor	labor
Social Security Act (Unemployment Compensation)	None	Senate Finance, House Ways and Means	Labor
Work Incentive Program (WIN)	None	Senate Finance, House Ways and Means	Labor
Public Works and Economic Development Act	September 30, 1983	Senate Environment & Public Works House Public Works & Transportation	Commerce
Housing & Community Development Act (UDAG, CDBG) and Urban Affairs	September 30, 1983	Senate Banking, Housing and Urban Affairs, House Banking Finance	Housing & Urban Development
Farmers Home Administration Act (Business & Industry Program)	None	Senate Agriculture, House Agriculture	Agriculture

In order to be assured of inclusion in the regular appropriation bill for the next fiscal year, bills must be reported from both Senate and House committees by May 15 of the year they are to be authorized.

the number of people in need of employment and training services and the effectiveness of those services. Section A examines and evaluates policies such as tax subsidies and minimum wage reductions that change the price of particular target groups' labor. Finally, this section considers the employment consequences of "supply-side" tax policies to encourage investment in capital.

The prognosis for the economy over the next half-decade is poor. High unemployment rates may have small and slow effects on inflation while increasing the numbers of people who have been the traditional participants in the employment and training system. Capital subsidies will work slowly, and the productivity and employment effects are not expected to be large. There appear to be no quick cures for the ills of the economy. General fiscal and monetary strategies may need supplementation if the larger numbers of unemployed are to become productively employed and if these unemployed are to believe that the society is not sacrificing them for the prosperity of other groups.

The second section is an extended and detailed look at the elements of the employment and training system. Such an overview is intended to provide a common ground for discussing the reform and reorganization of that system. After noting budget trends, the section evaluates the major employment-assistance strategies based on current information. It also examines the trends in characteristics of the participants in these programs and suggests that recent apparent increases in the proportion of the disadvantaged in CETA programs may have been caused by changes in definition.

The third section is concerned with improving the effectiveness of Federal economic development policies as tools in reducing structural unemployment. Area redevelopment policies were the first major element in the employment and training system that began to develop in the 1960's. While the original redevelopment act contained provisions for both physical development of distressed places and worker training, the two approaches became legislatively and administratively separated shortly thereafter. This section of the Report examines current economic development policies, reviews recent efforts to link them with employment and training, and identifies some ways in which such linkages might be enhanced to foster increased employment for disadvantaged, long-term unemployed persons.

SECTION A

THE ECONOMIC ENVIRONMENT, FISCAL POLICY AND EMPLOYMENT IN THE 1980'S

By

Daniel H. Saks

and

Steven H. Sandell

This chapter was written with considerable help from Stephen Baldwin, Carol Jusenuis, Ralph Smith, and other members of the staff and outside reviewers.

I. INTRODUCTION

High employment is only one of several objectives of economic policy. Other objectives such as price stability, productivity growth, and reduction of poverty sometimes reinforce and occasionally compete with employment goals. Since the economic environment affects employment and helps determine the size and effectiveness of the employment and training system, this section of the staff Report is devoted to a discussion of the economy and how particular policies might influence the labor market.

After briefly presenting the country's current economic problems, the section discusses anti-inflation policy as well as the relationship between labor markets and the employment and training system. It also considers countercyclical tax and employment policies. Finally, this section examines how fiscal or tax policies that change the price of capital and labor are likely to affect employment. These tax policies are designed to stimulate investment and promote labor supply. They are key components of so-called "supply-side" economic policies. Although such policies often have objectives other than generating new jobs, it is important to keep that aspect of these policies in mind.

II. ECONOMIC PROBLEMS

Almost half a century has passed since the last great economic castastrophe in the industrialized nations. Since that period, our economic institutions have been radically altered; the economic system has become much more stable; and our expectations for the performance of the economy have increased immeasurably. Between the Civil War and World War II, there were five economic declines when unemployment exceeded 9 percent for at least a year. The postwar period has not seen a single such episode, although strains on the system have been manifest. During this same period, the economy was transformed into one where only a small proportion of workers are directly producing food and a large proportion are engaged in providing services; the postwar recovery of the industrial nations was accomplished and unprecedented industrial and financial interdependence was established among the nations of the world. The United States, after developing an economy dependent on cheap energy after World War II, has recently weathered, with relatively minor short-run disruptions, two multiplications in the price of fossil fuels, one of the most crucial factors in production. Since 1970, the United States has sustained high growth in

output and spectacular growth in employment as the baby-boom generation and many mature women were absorbed into the work force.

During the past two decades it was generally recognized that even a healthy economic environment was not enough for some members of our society to make certain crucial transitions. In response, a Federal employment and training system was created along with entirely new local institutions to administer it (see the next section of this Report). This system was supplemented by an enlarged income transfer system that has substantially reduced poverty and improved access by the poorest Americans to food and medical care.

In contrast to the strengths of the economic environment over the past decades, not since the Great Depression has there been so much anxiety among the general public and professional economists alike for the future of the U.S. economy. The litany of problems is, unfortunately, well known.

- The rate of inflation has been rising and has recently been at double-digit levels in an apparent repetition of the U.S. experience in 1973-74. Temporary inflation may be a relatively attractive policy for an economy trying to absorb large increases in the price of oil. Yet many economists worry that each accommodation leaves the inflation rate at a higher level and that major structural changes in economic policy are required if accelerating prices are to be prevented in the future. Further, the variability of inflationary accommodations to shocks adds to economic uncertainty and may discourage investment and productivity growth.

- Current price and wage inflation has become increasingly insensitive to looseness in product and labor markets, and increasingly tied to past inflation. While restrictive monetary and fiscal policy would certainly lower the value of the Nation's output of goods and services below what it would otherwise have been, most of that reduction would be lost output and unemployment rather than reduced prices. The late Arthur Okun estimated that an added percentage point of unemployment would reduce inflation by approximately one-third of a percentage point in the first year. Although some assert that a large and credible tightening of monetary and

fiscal policies might reduce inflation without incurring the large costs that fall so disproportionately on the poor, such an experiment would contain major risks of economic upheaval.

- o There seems to be less and less tolerance in financial markets for fiscal and monetary accommodations to shocks such as sudden increases in oil prices. One need only consider the fact that fiscal and monetary authoritites were forced by panic in certain financial markets to follow an increasingly restrictive policy in March 1980 at the same time that the economy was (unbeknownst to the policymakers) in the third month of the current recession.

- o There has been a dramatic drop in the growth of measured productivity, or output per worker. This exacerbates the inflation problem because it means that as workers try to maintain living standards through wage increases, there is little productivity increase to offset a price rise in what they produce. The economy just chases its tail a little faster. Just as aspirin helps to reduce the pain of a headache whose cause is unknown, so increased investment should spur lagging productivity, no matter what the cause. Giving workers more and better tools will increase their output. Unfortunately, changing the amount of capital in the economy takes a long time.

- o Monetary and fiscal policies seem increasingly unable to reduce unemployment and poverty further. Indeed, the level of overall unemployment below which prices are likely to accelerate seems, for the time being, to have approached 6 percent. The reasons for this are not well understood, though explanations offered include changes in the demographic structure of the labor force and improvements in income support systems.

- o The budget of the modern welfare state is as much a consequence as a cause of private sector economic activity. Automatic stabilizers on both the revenue and expenditure sides make the Federal budget almost as difficult to control as private sector consumption and investment.

- There is a widespread sense that as we have pursued the humane goals of protecting people and institutions against failure, we may have created a rigid and inflexible economy. It seems hard, however, to argue that a U.S. economy and society that have undergone the enormous transformations of the past decades are intrinsically rigid. The challenge for economic policy is how to encourage an economy that can adapt to international competition and increased prices of energy without a major decline in living standards. The crucial question is whether we will use our scarce investment resources to preserve old jobs and businesses or to develop new ones. Unfortunately, the needed transformation requires losers as well as gainers. To the extent that these processes now depend on governmental decisions, it may be difficult to choose actions that require hurting some while helping others.

- At the very time we have come to recognize the apparent limits of monetary and fiscal policies to reduce unemployment and poverty and promote economic flexibility, we have also come to appreciate the costs and limits of structural policies exemplified by the employment and training system. (For a detailed discussion, see the next section of this Report.) These policies are hard to implement effectively, especially since they are directed increasingly at those who have not been adequately helped by our other primary social institutions such as family, community, and schools.

As the above list of problems should make clear, it is not possible to discuss structural employment policies without considering the economic environment in which training or other services are delivered. Because structural policies need to be seen as one component of a broader economic policy, this and future staff reports by the National Commission for Employment Policy (NCEP) will deal in part with some of the issues raised by monetary and fiscal policy choices.1/

1/The staff has initiated several research projects in the area and technical papers will be available as they are completed.

The remainder of this section consists of two parts. The first discusses several aspects of the economic environment in the 1980's and its relation to employment in general and labor market policies in particular. The second takes a preliminary look at the employment consequences of tax policies that might be considered during the next few years. The Commission is clearly interested in labor market effects of "supply-side" capital subsidies, of a reduction in income tax rates, and of tax credits for hiring disadvantaged workers.

III. THE ECONOMIC ENVIRONMENT AND THE LABOR MARKET IN THE 1980'S

Economic policy discussions over the next few years will almost certainly focus on how to reverse the rising inflation of the past 15 years. The outcome of that debate will heavily influence the employment and training system because the disadvantaged members of our economy are disproportionately hurt when there is high unemployment, and high unemployment seems to be associated with anti-inflationary policy. But while the number of potential clients for the employment and training system increases during periods of higher unemployment, there is a serious question about whether it makes sense to train people at a time when there are relatively few jobs available. The following analysis of inflation is prologue to a discussion of labor market conditions over the next several years and to an evaluation of two countercyclical employment strategies: the New Jobs Tax Credit and Public Service Employment.

A. Inflation and the Labor Market

As the economy is poised at the beginning of 1981 on the shallowest recovery from the shortest of the post-World War II recessions, high interest rates endanger that recovery and reflect a continued expectation that inflation will remain at high levels for the foreseeable future. One can think of inflation as having two components. The base rate of inflation (sometimes called the core, permanent, or underlying rate) is incorporated into long-term contracts and people's long-run expectations. It is related to longer-term trends in fiscal and monetary policy, to past inflationary experience, and to institutional mechanisms in the economy that give an inflationary bias to the way the economy determines aggregate prices. The second part is more transitory and is related to cyclical fluctuations and to so-called shocks or sudden events (e.g., OPEC price increases) that cause the price of some important commodity to shoot up suddenly. In an economy where few prices decline and the price of one good is part of the cost of so many others, as one price goes up the average price must also rise. Eventually, a new price level is established at the appropriate new relative prices.

While the above taxonomy of inflation may seem simple, there is little agreement on how to measure the two components of inflation, nor is there agreement that inflationary shocks will eventually dissipate. In work reported in a forthcoming Commission Technical Paper,[1] an estimated wage-price

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[1] Stephen G. Cecchetti, Michael J. McKee, David S. McClain, and Daniel H. Saks, "OPEC II and the Wage-Price Spiral" (Technical Paper, NCEP, 1981).

spiral is simulated, showing how a doubling of oil prices over the course of a year could add substantially to inflation (see Chart B). Not only do direct price increases for oil and all its substitutes occur, but these are followed by the indirect effects on the prices of those other products that require energy for production. These products, in turn, are used in production of still other goods. Much of the rise in consumer prices can be accounted for by such a procedure. The price increases level off fairly rapidly as the new higher price level is achieved. Unfortunately, a long cycle is set in motion so that subsequent wage and price increases may go on for 6 years as workers and producers try to regain their shares of the reduced national economic pie.

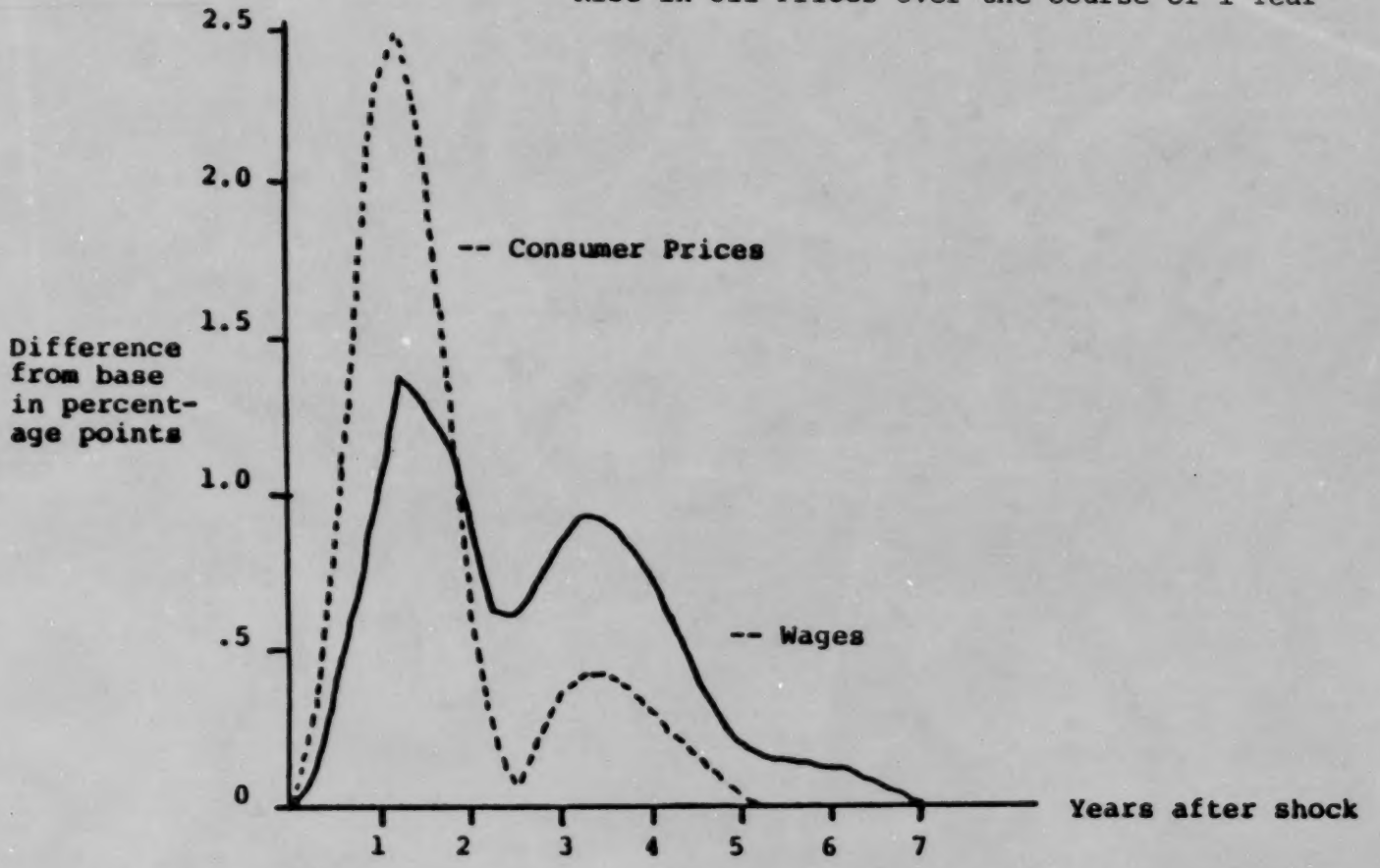
The frequency of shocks in the last decade combined with the long periods before inflation returns to "normal" means that base inflation may not be as high as some may have feared. In spite of this, there is an increasing bipartisan consensus among economic policymakers that the base rate of inflation needs to be reduced. A slack economy seems to be one component of policies that try to achieve such a reduction. Investment incentives are another component, although a conflict exists between these policies. It is difficult to stimulate investment when final demand is being restrained. Businesses are naturally reluctant to undertake new purchases of equipment and structures when there is excess capacity.

The result of the attempts to reduce inflation through lowering demand in the economy will not be pleasant nor will the remedy work rapidly. Data Resources, Incorporated (DRI), in its December 1980 control forecast, projects an unemployment rate above 7 percent at least through 1983 and almost no decline in the rate of increase of the implicit price deflator over that period of time. Indeed, few economic forecasters expect unemployment rates to return to the levels of early 1980 until well past the mid-1980's.

The economy is not providing policymakers with easy choices. Indeed, the only clearly good news for labor markets is on the supply side of the labor force. The youth portion of the labor force will be declining rapidly after rising for almost two decades. (See Chart C.) This might help reduce youth unemployment as competition among youth is reduced. The decline will not be so dramatic for Hispanic and black youth and the labor market prospects for them are more problematic. National productivity should also rise as the work force becomes more experienced.

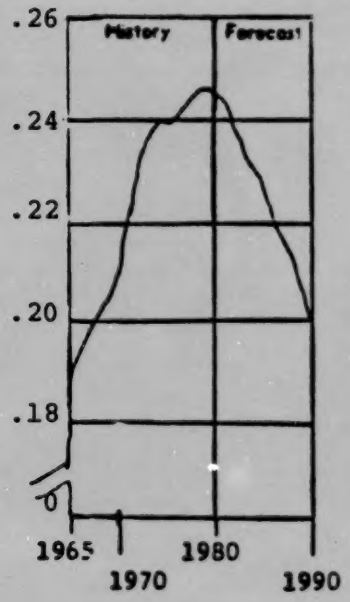
Chart B

Simulation of Added Wage and Price Inflation Due to a 100 Percent Rise in Oil Prices Over the Course of 1 Year



SOURCE: Cecchetti, McClain, McKee, and Saks (1981).

Chart C. Proportion of Labor Force
Between Ages 16 and 24



SOURCE: Data Resources Long-Term Review
Fall 1980.

B. Consequences for the Employment and Training System

If slack labor markets are to be a feature of economic policy in the 1980's, how would that affect the employment and training system? Two issues can be identified: (1) How will the numbers and characteristics of participants in the system be changed and (2) How will the effectiveness and timing of services delivered by that system be influenced? Answers to these questions are tentative, but it is important to outline a response. If higher unemployment is associated with fighting inflation, then an important consideration is how to equitably share this burden among the population. The employment and training system is one vehicle for sharing such burdens and for helping the long-term unemployed find new and useful occupations as soon as possible.

What do we know about the distribution of unemployment? During recessions, the duration of unemployment rises and large numbers of people stop while others start looking for work. Preliminary evidence from a study for the NCEP by Edward M. Gramlich and Deborah A. Swift indicates that for every percentage point rise in the unemployment rate, the income of stable families with traditional labor force attachment goes down, on average, almost 1 percent, primarily due to a loss in earnings associated with reduced employment. But the effects are not evenly distributed. For poor white husband-wife families, the percentage income decline is twice as large as for the average family, and for poor black husband-wife families, the decline is almost three and a half times as large. On average, over half of that earnings loss is made up for by existing tax and transfer programs like public assistance, food stamps, and unemployment insurance. The income of families containing an adult woman but no adult male is substantially less cyclically sensitive than husband-wife families. This suggests that for poor husband-wife households, such anti-inflation policies will impose special burdens that may require extra efforts from the employment and training system.

An alternative way to illustrate the distribution of unemployment among different demographic groups in a period of high unemployment is to examine the Nation's experience during 1975. Then the overall unemployment rate was 8.5 percent, and 7.6 percent of the persons who worked at least one week (the experienced labor force) suffered 15 or more weeks of unemployment. In that year, the unemployment rate for white men was 7.2 percent compared with 8.6 percent for white women, 14.7 percent for black men and 14.8 percent for black women. For the experienced labor force, 7.8 percent of white men were unemployed 15 or more weeks compared with 13.5 percent of black men, 6.1 percent of white women, and 9.9 percent of black women.

To the extent that a slack economy combined with attempts to reallocate resources to the most productive investments causes displacement of older and more experienced workers, there will also be a large group of displaced workers who may benefit from employment and training services. How large is this group? Does it need special services? Can or should the existing employment and training system deliver such services? These are all questions that need to be addressed in the forthcoming debate on reauthorization of CETA in 1982.

The evidence on whether training should be emphasized more during recessions than during periods of prosperity is sparse and mixed. Recessions are precisely the times when it is relatively cheap to train those who are not working because their alternative opportunities are fewer. Workers so trained

will be more productive at the peak of the next business cycle if their training is finished in time. If those workers were trained in fields where bottlenecks might otherwise occur, it would allow employment to reach higher levels without inducing further inflation. On the other hand, it is also true that it is much harder to place CETA participants when unemployment is high.[2/] It also is difficult for the employment and training system to expand suddenly and then to contract during different parts of the business cycle. Variable and uncertain levels of operation are bound to have an adverse impact on program effectiveness and staffing quality.

C. Short-Term Employment Programs: The New Jobs Tax Credit and Public Service Employment

Two approaches to reducing unemployment caused by a temporary economic downturn have been the New Jobs Tax Credit and Public Service Employment. The programs are designed to induce an increase in private and public sector employment, respectively. This part will consider the effectiveness of these short-term policies. The last part of this section will deal with longer-term policies that might affect employment.

Wage subsidy programs can speed the employment recovery from a recession. By reducing the cost of labor to private firms, employers might find it profitable to hire more labor more quickly than if the subsidy program were not in place. First, the cost savings to firms would provide an incentive for them to increase production earlier than market conditions might otherwise have dictated. Second, certain maintenance and expansion activities that ordinarily would be postponed might take place to take advantage of a temporary reduction in the firm's cost of labor. Third, the reduced labor cost might permit firms to sell their output at a lower price, thereby increasing the quantity of the product sold. Finally, the extra income to otherwise unemployed workers would create additional consumption, thereby increasing aggregate demand in the economy.

The desirability of wage subsidies as a countercyclical program is lessened by some operational difficulties. The employment impact may be lessened if firms are sufficiently pessimistic about market conditions to refuse to increase their

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2/The main evidence on CETA placements comes from data on how placements vary among prime sponsors with different unemployment rates. See Jeffrey Zornitsky, Elliot Rossen, and Andrew Sum, "An Empirical Analysis of the Performance of CETA Title One Programs in the United States, 1977," mimeographed (Boston: Massachusetts Department of Manpower Development, Policy and Evaluation Division, February 1979).

overall labor force even at subsidized wage rates. While firms may hire subsidized workers, they may hire fewer or actually dismiss other workers in anticipation of the subsidy.

This problem of substitution can perhaps be mitigated by careful construction of the regulations. However, it is virtually impossible to design a program that is both simple administratively and does not contain such undesired incentives or consequences. Furthermore, a private wage subsidy scheme, in addition to increasing employment, may have the inequitable effect of increasing the profits of some firms and/or, if prices are reduced, subsidizing the consumers of particular goods.

The New Jobs Tax Credit (NJTC), proposed as part of the stimulus package of 1976 and incorporated in the 1977 Tax Reduction and Simplification Act, is a good example of the use of wage subsidies to combat cyclical unemployment. It was a marginal employment subsidy providing firms with a 50 percent tax credit on the first $4,200 of each new employee's wages (subject to certain limitations).[3/] Since firms could not claim as an expense and, therefore, as a tax deduction, those wages for which they received a credit, the net dollar value of the credit was less than the $2,100 gross amount. At, say, a 50 percent marginal State and Federal corporate tax rate, the credit would be worth only $1,050 maximum per additional worker.

How effective was the NJTC as an employment stimulant? While the Department of the Treasury reported that firms claimed $1.5 billion, an amount that implies approximately 1.1 million new jobs, some of these jobs would have been filled without the help of the subsidy. Empirical evidence evaluated in a recent study by Dave O'Neill[4/] indicates that approximately the same rate of displacement exists under the wage subsidy program as under various Public Service Employment (PSE) schemes. The study estimates that between 300,000 and 500,000 jobs were created under the New Jobs Tax Credit program in 1977. Since the tax subsidy is about $1,200 per new hire, this implies a net

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3/New employment was, in practice, the firm's wage bill in excess of 102 percent of the Federal Unemployment Tax Act covered wages paid in the previous year, 1976.

4/Dave M. O'Neill, "Employment Tax Credits for Combatting Unemployment: A Survey," mimeographed (Washington, D.C.: 1980).

budget cost of between $2,600 and $4,400 per job,[5] an amount that compares favorably with the lowest possible estimates of $6,200 direct cost per PSE job for the same period.[6]

Public Service Employment programs can be seen as a highly targeted wage subsidy scheme for jobs in State and local governments and community-based organizations. It is a parallel strategy to the private sector subsidies although the rate of subsidization has been very much higher (90-100 percent in many cases). David Brazell is evaluating the net cost per job created by alternative public sector expenditure schemes like PSE and local public works projects for the Commission.[7] The cost per job for a countercyclical expenditure program like PSE depends on a number of factors including: (1) the numbers of new jobs that are actually created versus the numbers that are paid for but would have existed anyway (substitution);[8] (2) the timing of the employment effects; (3) the size of the induced or secondary employment and the subsequent increased tax revenues and reduced transfers caused by the higher Federal expenditures; (4) the path of other relevant economic variables; and (5) the degree to which the PSE payment is an income transfer payment and the degree to which it purchases desired services or future employability for participants. Just to provide some idea of the effects of these factors, the long-term cost of a PSE job can vary by a factor of 10 depending on whether the PSE expenditure all goes to new jobs or whether it all ends up as revenue sharing for existing jobs. Reasonable assumptions suggest long-term costs per job created through a PSE program are around $10,000 as compared to 2 to 5 times that amount for jobs created under local public works and revenue sharing programs. Since local public works and revenue sharing cannot be well targeted on the structurally unemployed, the cost per job to the structurally unemployed under those programs would be even higher.

5/This does not include the multiplier effects from increased consumption.

6/This estimate assumes no substitution occurred in PSE, an improbable assumption.

7/Brazell's technical paper will be issued in 1981.

8/See the following staff report for additional discussion on substitution in PSE programs.

As far as Federal budget cost per job, then, direct government expenditure programs are expensive relative to a strategy like the NJTC. However, cost is only one issue. The benefits purchased with those expenditures also need to be considered. The value of the output produced, the value of the training, and other benefit differences should be weighed.

IV. EMPLOYMENT EFFECTS OF LONG-TERM STRUCTURAL TAX POLICIES

In thinking about the economic environment, there is a tendency to focus on short-term monetary and fiscal policies that affect the level of overall demand in the economy and in financial markets. There is, however, an increasing preoccupation with fiscal policies directed less toward changing the level of economic activity and more toward improving the long-run structure of the economy. Public debate on economic policy is currently focused on personal income tax cuts, which may stimulate the supply of labor and savings, and tax policies to stimulate capital formation. Although these policies have many goals, the Commission is especially interested in the employment consequences of these and other structural tax policies like the Targeted Jobs Tax Credit.

Below we present some preliminary estimates, based on past behavior, of the employment effects of structural tax policies. Of course, increased employment is only one objective of these policies. Also, it is worth keeping in mind that past behavior may not be a good guide to future behavior if the new policies are seen as a radical departure from past practice. The kind of policies being discussed here do not appear so radical as to be outside the range of relevant experience. Because the ultimate employment and wage effects of changes in tax rates derive from a complex chain of causation, it is important to try to put some best-guess boundaries on the size of such effects. Although they may be wrong, state-of-the-art estimates are likely to be more correct than wishful thinking.

A. Wage and Employment Subsidies and Tax Credits

As a means of reducing structural unemployment, a labor subsidy can be designed to create an incentive for firms to hire persons from particular groups experiencing high unemployment rates even when aggregate demand in the economy is high. By targeting the subsidy at certain groups, aggregate unemployment, as well as the unemployment rate in the particular groups, could be reduced with lower inflationary impact than under other employment schemes. The subsidy is intended to increase hiring of workers with particular demographic (e.g., youth) or other characteristics (e.g., long-term unemployment, residence in a particular geographic area) that might make them worthy of the subsidy.

The Targeted Jobs Tax Credit (TJTC), part of the Revenue Act of 1978, is a good example of the use of a wage subsidy (in the form of a tax credit) to combat structural unemployment by

encouraging employers to hire individuals with certain characteristics. The targeted groups are: economically disadvantaged youth aged 18 through 25; youth aged 16 through 18 participating in cooperative education programs; economically disadvantaged Vietnam-era veterans; economically disadvantaged ex-offenders; handicapped persons receiving or who have completed vocational rehabilitation; recipients of Supplemental Security Income; and persons who have received general assistance for 30 or more days. Recipients of Aid to Families with Dependent Children (AFDC) are eligible for an analogous tax cerdit under the WIN program. The credit is equal to 50 percent the first year and 25 percent the second year of the first $6,000 of annual wages. An applicant's eligibility is determined by the Job Service and other participating agencies who issue vouchers to the workers; certifications are issued to employers who hire vouchered workers and claim Targeted Jobs Tax Credits. The table below shows how small participation in this program has been and indicates some of the startup delays inherent in such an effort.

Table 1. Vouchers and Certifications for the Targeted Jobs Tax Credit

PERIOD (Calendar Quarter)	VOUCHERS (In thousands)	CERTIFICATES (In thousands)
1979, II	18.2	8.2
1979, III	70.5	28.6
1979, IV	116.2	71.7
1980, I	146.2	86.8
1980, II	146.3	57.4
1980, III	134.6	52.8

SOURCE: United States Department of Labor.

The efficacy of the TJTC as a specific vehicle for reducing structural unemployment has been seriously questioned by some recent studies.[1/] Only 4 percent of target-group-eligible hires have made use of the subsidy during the first 18 months of the law's operation (O'Neill). Clearly, a substantial portion of these beneficiaries of the subsidy would have been employed even if their employers did not receive the tax credit. We know, for example, that most of the unemployed who were eligible for (but not receiving) vouchers eventually found employment. On the operational level, Job Service employees did not encourage firms to use the incentives provided in the law. Furthermore, many Job Service administrators doubted the efficacy of the program (Ripley). Finally, the provisions for retroactive certifications and eligibility of cooperative education students meant that many of the beneficiaries of the credit were not the structurally unemployed (Fitzpatrick).

While incremental hiring is encouraged, firms trying to minimize their production costs would substitute subsidized for unsubsidized workers and capital. Thus the efficacy of the wage subsidy program depends not only on the gross number of workers obtaining subsidized jobs, but on the number of ineligible workers who lose employment directly or indirectly as a result of the subsidy. Although we do not know how large this displacement is, we need to recognize that the goal of such a program is to improve the labor market position of the disadvantaged even if this comes at some cost to those better off.

In evaluating a targeted structural tax policy, it is useful to compare it with another policy that affects the wages of low-skilled and inexperienced workers: minimum wage laws. To the extent that the minimum wage is binding, it raises the wage of low-wage workers. That, in turn, causes some reduction in the employment of low-wage workers and perhaps some increase in the employment of high-skilled and experienced workers. The

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1/ CETA study under the direction of Randell Ripley, "The Implementation of the Target Jobs Tax Credit," Report Number 1 (Columbus: Ohio State University, Mershon Center, July 1980); O'Neill, "Employment Tax Credits;" Mary Fitzpatrick, "Putting the Targeted Job Tax Credit Back to Work" (Washington, D.C.: Northeast-Midwest Institute, September 1980).

process, to the extent it is at all sizeable, ought to be reversible if Government decides more low-wage employment is better than less employment at higher wages and the real minimum wage is reduced.

While there is a likely wage-employment tradeoff here, the question is how much. In particular, how much would youth (16-19 years old) be helped by a reduction in the minimum wage? It is possible to make a rough calculation. The empircal literature seems to suggest2/ that a 10 percent decrease in the overall minimum wage would increase teenage employment by about 1 percent. This suggests, for example, that a 25 percent reduction in the minimum wage would have increased teenage employment by 2.5 percent or less than 200,000. That number is about 10 percent of teenage unemployment, although we cannot say whether unemployment would decline by that much because more or fewer teenagers may decide to enter the labor force. A reduction in the minimum wage that was restricted to youth might have a somewhat larger employment effect to the extent that it would induce employers to substitute low-wage youth for now higher wage adults. The size of this substitution effect is likely to be small for adults overall, but may be much larger for adult blacks, adult Hispanics, and adult women.

One difference between the TJTC and a youth minimum wage reduction ought to be specifically mentioned: the difference in targeting. To the extent that a youth minimum also covers nondisadvantaged youth who are willing to work for such a wage, there may be less of an inducement for employers to hire disadvantaged youth than there would under a tax credit targeted specifically on the disadvantaged. The size of this effect is unknown. It also has a corollary: certifying someone to be a member of a target group may be an adverse signal to an employer and the employer may be reluctant to hire the subsidized worker. While, in principle, changes in the minimum wage and tax credits have many similarities, the kinds of policies either in place or under active consideration are likely to have only modest effects on youth unemployment problems.

2/Charles Brown, Curtis Gilroy, and Andrew Kohen, "Time-Series Evidence of the Effect of the Minimum Wage on Teenage Employment and Unemployment," mimeographed (Washington, D.C.: Minimum Wage Study Commission, 1980).

B. Employment Effect of a Reduction in the Personal Income Tax

Almost all taxes change some prices and thereby affect the structure of the economy as well as raising revenue. Personal income tax rates are usually examined mainly for their revenue production; but during inflationary times the average marginal tax rate rises as taxpayers are pushed into higher tax brackets. One tax cut proposal that has received much attention (Kemp-Roth) calls for a reduction in personal income tax rates by 10 percent in each of a 3 succeeding years. This will certainly reduce revenue from what it would otherwise have been. But proponents have also argued that this is a structural policy that will encourage work.3/

Ignoring the revenue implications for the Federal budget, what might such a policy do to employment? One can make a crude estimate based on past behavior. If the average taxpayer is in the 25 percent bracket, net take-home pay for additional work would go up about 3.3 percent for a 10 percent cut in rates. A change in wage rates by that amount has been associated in the past with labor force increases of 33,000 to 100,000 person years. Since much of that increase would be in hours of work by current workers, the employment effects are likely to be at the low end of the estimated range.

C. The Employment Effect of Capital Subsidies

One of the main structural tax policies under discussion involves a reduction in the cost of capital to spur investment. Here, we analyze the likely employment-generating effects of such "supply-side" capital incentives. The chain of reaction is slow and rather long. Changing the price of capital leads eventually to a larger capital stock. Giving workers more machines and tools adds to their output and that, in turn, should add to their wages and induce more employment. The results we report may be surprising to some. Those who believe that capital must always displace workers will be surprised

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3/In addition to providing incentives to produce additional income (through increased investment and labor supply), tax reductions that are not offset by appropriate expenditure reductions will increase aggregate demand in the economy. This occurs because individuals have more after-tax income to consume (or save). This "demand-side" or macro effect is ignored in our analysis of structural ("supply-side") tax policies. Government is assumed throughout to make appropriate expenditure reductions and other fiscal and monetary adjustments.

that jobs are eventually generated by capital formation. Historically, however, most capital formation has eventually led to employment growth. Consider the invention of movable type. Perhaps fewer scribes were needed thereafter, but certainly this was offset by jobs in printing and related industries. The problem is getting past the period of adjustment.

Our results will, perhaps, disturb those who have argued for capital incentives, because we find the likely employment consequences so small. Of course, the policy has other objectives as well, including increasing productivity to restrain inflation.

1. Tax Policy and the Stock of Capital

Business investment depends on expected after-tax profits generated by that investment. To understand how changes in tax policy might lead to increased investment, we must first examine the factors that influence after-tax profits. These include the market rate of interest, the taxes on business profits, tax deductions allowed for depreciation of business capital, sales revenues, and other costs of production. The lower the cost of capital (including the interest on the money used for this purchase) compared with the net revenue received from its use, the more investment will be made. Business taxes, especially the corporate income tax, reduce the profitability of business investments since the Government keeps a share of the profits. The way costs are defined for tax purposes can affect the size of profits in any year and, hence, the size of the tax bill. For example, larger depreciation allowances on capital (a cost for tax purposes) offsets in any year more revenue and means that more after-tax profits can be derived from the capital.

There are three key links in the chain connecting supply-side policies to an increase in the stock of business-fixed capital: (1) the effect of the policy on the return to capital; (2) the magnitude of the investment response associated with the change in the increased return to capital; and (3) the relationship of increased investment to the size of the capital stock.

2. Choices of Fiscal Policies to Increase the Capital Stock

Broadly speaking, the tax proposals are of two types: those that directly reduce the cost of or increase the after-tax return to business capital and those that influence the cost of capital indirectly via a reduction in the interest

rate. Increased depreciation allowances and investment tax credits affect the cost of an investment. Reducing the corporate income tax affects the return and increases the retained earnings potentially usable for investment. An increase in business and private saving due to changed incentives, reductions in capital gains taxation, or a lowering of individual income tax rates would increase the supply of loanable funds and thus might reduce the interest rate. The following is a brief review for those unfamiliar with some of the major proposals.

a. Investment-Oriented Proposals

Because current tax rules only allow businesses to deduct allowances for depreciation based on the original dollar cost of an asset, this deduction is reduced in real terms because of inflation. Thus, inflation has made long-lasting assets like business plants and equipment more expensive in real terms. Since other assets, such as consumer durables and owner-occupied housing, are subject to different tax treatment and are not affected in this way, inflation causes investment to be biased away from "productive" business-fixed capital and toward assets yielding income that is taxed at lower rates (owner-occupied houses) or assets that are not taxed at all (consumer durables). Thus, accelerating depreciation allowances or indexing the deduction to inflation would lower the cost and increase the incentive for investment in business capital.

Expanding the investment tax credit would lower the after-tax cost of new investments in eligible assets. While there are important differences, the effect on investment per dollar of revenue loss is similar for the investment tax credit and depreciation reform.

Cutting the corporate tax rate would be less effective in increasing business-fixed investment than either depreciation reform or expanding the investment tax credit because corporate rate cuts would affect the return not only on new investments but on all existing corporate capital. Although new investments would also be made more profitable by corporate rate cuts, the incentive to invest per dollar of tax cut would be much smaller than in the case of tax cuts targeted on new investment.

In addition to fiscal policies designed to stimulate business investment generally, special investment tax credits to encourage research and development, and investment in economically distressed areas such as central cities in the Northeast and Midwest, have also been proposed. The employment effects of geographical targeting are discussed in Section C of this Report.

b. Incentives to Stimulate Savings

In addition to the investment-oriented policies discussed above, there have been a number of proposals to increase the savings rate. These include increasing the amount of dividends and income exempted from taxation, relaxing limits on favorably taxed Individual Retirement Accounts and "Keogh" plans, and, to a certain extent, reducing the corporation income tax and the tax rate on capital gains. Personal income tax cuts may also increase savings, although the magnitude of the effect is probably small.

Increasing savings will increase capital formation if the higher savings leads to more loanable funds and a lower interest rate. Three considerations argue against this approach to augment capital formation. In the context of world capital markets, increased private savings in the U.S. will be spread over investment opportunities world wide. Total domestic savings may not be a constraint on domestic capital formation since investment funds can be imported via the world financial market. Second, even if the incentives were extremely effective, much of the added savings would go to owner-occupied housing and thus not be used to increase business-fixed capital. A third problem stems from the distributional consequences of most savings incentives. Since the relatively rich generate the bulk of potential private savings, reducing their taxes to stimulate their savings might be considered inequitable.

Some analysts believe that since a major source of funds for business investment is retained earnings (undistributed profits), a reduction in the corporate income tax will increase savings by businesses. How much of this will end up as new investment depends on how much of the increased earnings and cash flow is distributed among increased dividends, reduced loans from banks, and increased investment.

3. Effect of Tax Policies on Investment

How much would capital increase if it were less heavily taxed? This depends on the responsiveness of investment to an increase in its rate of return. The effectiveness of even the most promising policies is a subject of considerable controversy in the empirical literature. While there is little consensus, the most plausible estimates of sustained new investment for a dollar's worth of tax cut, balanced by expenditure reductions or other tax increases[4/] range from $.20 to $.50. Of course, the size of the investment stimulus depends on both the form and the size of the tax cut.

4/If the tax cut were not offset elsewhere in the budget, the stimulation would be larger. We consider only the effects of structural changes here.

Because annual investment flows are only a small fraction of the total capital stock (85 percent of all plants and equipment are more than 1 year old) and because most business-fixed investment merely replaces capital that wears out, even large increases in business investment will have an exceedingly small effect on the size of capital stock. Therefore, the total capital stock will increase very slowly. For example, under the implausibly optimistic assumption that the economy and investment will grow at a 5 percent annual rate and that tax policies increase investment by 20 percent over what it would otherwise have been, the capital stock would be only 3 percent larger after 1 year and 10 percent larger after 5 years. A more plausible but still somewhat optimistic assumption would be that the growth rate of the economy is 2 percent and investment can be increased by 10 percent. In this case, after 1 year, the capital stock is only 1 percent larger; after 5 years, it is only 4.5 percent larger.

To summarize, "supply-side" investment stimuli of business investment will probably lead to a slow but steady increase in the capital stock. It will be slow because even a dramatic increase in investment is small relative to the size of the extant capital stock. Although our knowledge of the responsiveness of business investment to a reduction in taxes is limited, our best guess is that in the long run, investment will increase by between 20 and 50 cents for each dollar of an appropriately structured tax reduction.

4. The Employment and Wage Effects of an Increase in the Capital Stock

Having discussed the effects of certain supply-side stimuli on capital formation, we now can examine their indirect effects on employment and wages. Since it is clear that the impact of the policies will have a noticeable effect on the capital stock only after several years, it is appropriate that we focus on the long-run effect on wages and employment. To this end, we will ignore cyclical unemployment. We will analyze the effects in an economy operating at steady unemployment rates. Relaxation of this assumption does not affect the conclusions of the analysis, but would make modeling and estimating the effects much more cumbersome.

In an economy of fully utilized resources, the higher capital stock attributable to supply-side policies implies that each unit of labor will have more capital to work with. This higher capital-labor ratio, in turn, implies greater productivity and higher wages for labor. Studies of the determinants of labor supply show, in general, greater labor force participation and hours of work when wages are higher. The capital-

induced wage increases should result in greater labor supply and employment. The total employment effect depends on the amount labor supply increases.

Since we are interested in structural problems, we want to know how wage and employment effects differ for particular subgroups of the population. Present knowledge only permits us to analyze effects for a few demographic subgroups. The effects for different groups will vary for two main reasons. First, an increase in capital stock will disproportionately increase demand for some workers who are especially needed to work with the capital and may even decrease the demand for workers who are replaced or made obsolete by the new capital. Second, the increase in wages due to the larger capital stock will cause some substitution of cheaper for more expensive workers and the degree of that substitutability will vary across groups.

Using estimates of the differential labor demand and supply sensitivities of different demographic groups, Paul Courant and George Johnson of the University of Michigan have estimated for the NCEP staff the most likely effect of the policies on the wages and employment of these groups.5/ They use a simple model of the U.S. economy for 1979. While changes in production techniques as a result of new investments and labor force growth will likely influence the size of the employment and wage effects, the long-run employment effects of a 10 percent increase in the capital stock will probably be small. The real wages of adult white men will probably rise by slightly more than 1 percent and their labor supply will increase negligibly (about one-tenth of 1 percent). The employment of adult white women will probably increase between 1 and 2 percent and their wages will increase by slightly more than 2 percent. Adult blacks should experience an employment increase of about 1 1/2 percent and a wage increase of slightly less than 4 percent. Finally, the wages and employment gain among youth aged 16-24 will probably be less than 1 percent.

These effects, while not especially large, are based on assumptions that are optimistic with respect to the effects for youth, blacks, and women. And they assume a 10 percent increase in the capital stock--a highly improbable event for any period less than a decade away. The results tell us that, barring miracles, changes in the structure of the economy will come slowly.

5/Estimates using alternative assumptions as well as a more complete discussion of the method used will be contained in forthcoming NCEP technical paper.

V. CONCLUSION

We cannot look forward to an economy that provides strong performance over the next few years. We may, of course, be surprised. It would not be the first time. But most likely, growth will be sluggish, labor markets will be slack, and inflation may well continue at a high level. Because of the nature of the problems facing the economy, neither monetary nor fiscal policy will do much about this situation quickly. Even worse, none of the structural tax or "supply-side" policies offer much hope of quick relief either. The productivity and employment effects of "supply-side" tax cuts will be observable only after the passage of considerable length of time and the effects will probably be small.

The hard fact that economic policymakers must face is that all of their options involve short-term costs in exchange for uncertain long-term gains. Meanwhile, poor economic performance will mean severe labor market problems for the disadvantaged and for those workers who lose their jobs in plant shutdowns.

What is the role of the Federal employment and training system in such an environment? The next section of this Report is an overview of that system. It is meant to provide common ground for discussion of the Federal role in employment and training during the 1980's.

SECTION B

AN OVERVIEW OF FEDERAL EMPLOYMENT AND TRAINING PROGRAMS

by

Janet W. Johnston

I. INTRODUCTION

Over the past two decades, the Federal role in employment and training activities has developed through bipartisan support into a system that cost over $14 billion in fiscal year 1979. Understandably, there is a tendency for legislators and policymakers to focus on particular programs rather than on the complex totality of that system.

This chapter of the staff report of the National Commission for Employment Policy is an attempt to assay the dimensions of that entire Federal effort: What is the Federal Government trying to accomplish, who is it trying to help, and how are these services being delivered? It is important to view the sum of the parts, especially now when key decisions must be made in the next few years concerning the reauthorization of so many components of the employment and training system. Because of this happenstance, there is an opportunity to deal with the system in its entirety for the first time in some years. The National Commission is now engaged in a major evaluation to that end.

The chapter begins with an overview of financial and program data for Federal employment and training programs over the past two decades and continues with a brief summary of research findings and administration experience with regard to strategies, target groups, and delivery systems. In the context of these discussions, some basic issues concerning the Federal role in employment and training programs, the relationship of private and public sectors in these efforts, program coordination, and management control are explored.

II. THE GROWING FEDERAL COMMITMENT TO EMPLOYMENT PROGRAMS: AN OVERVIEW

A. Funding

One of the best ways to understand the changing Federal role in and commitment to employment programs is to examine budget data over the past two decades. Prior to 1960, the Federal Government's experience in the development of human capital had been confined largely to the support of post-high school education and technical training[1] and a few transitory public employment efforts aimed at reducing economic hardship during the depression decade of the 1930's. Among the permanent manpower-related legacies that date from the thirties are the Federal-State Employment Security System, established by the Wagner-Peyser Act of 1933, and the Unemployment Insurance System, created by the Social Security Act of 1935. Both systems are now administered by the Department of Labor's Employment and Training Administration, or ETA (formerly the Manpower Administration). A Bureau of Apprenticeship and Training, also part of ETA, was established in 1937 by the Fitzgerald Act in order to promote apprenticeship programs.[2]

In the following decade, a philosophical commitment to full employment was expressed in the Employment Act of 1946, which clearly added to the Federal role the pursuit of policies that would "promote maximum employment and purchasing power."[3] That act served to justify the specific programs developed to offset the poor performance of the economy during the thirties and encouraged additional Federal efforts. However, any thought of expanding Federal employment programs was soon obscured by a postwar return to a more orthodox economic role for the Government through a balanced budget and policies that emphasized stable market institutions. Thus, despite recurring recessions of increasing severity throughout the 1950's, only the creation

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[1] These efforts included the Morrill Act of 1862 (establishing a network of land grant colleges), the Smith-Hughes Vocational Education Act of 1917, the GI Bill of 1944, and the National Defense Act of 1958. See Garth L. Mangum, The Emergence of Manpower Policy (New York: Holt, Rinehart, and Winston, Inc., 1969), pp. 12-13.

[2] Ibid., p. 16.

[3] Statutes at Large, vol. 60 (1946); see also Mangum, The Emergence of Manpower Policy, pp. 22-23.

of the Special Committee on Employment Problems by the U.S. Senate[4] evidenced any national-level concern with that issue.

The origins of the current, greatly expanded, manpower effort date from the 1960's. Begun by John F. Kennedy and developed under Lyndon B. Johnson, employment and training programs expanded rapidly during the sixties. Outlays for Federal manpower programs totaled less than $250 million in fiscal 1961; by fiscal 1970, the beginning of the new decade, they had grown to over $3 billion.[5] Although the earliest legislation focused on the demand side of the employment equation by fostering economic development programs, a supply-side emphasis on skill training and employability development characterized the activities of the late 1960's and the 1970's.[6]

During this period, acronyms such as MDTA, NYC, PSC, and JOBS became a familiar part of the employment and training lexicon.[7] The objective of these and similar programs was to help individuals compete effectively in the labor market. Although initially the emphasis was on persons whose skills

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[4] The committee was established in September 1959 at the request of Lyndon B. Johnson, who was then the Senate Majority Leader. It was chaired by Sen. Eugene J. McCarthy (D-Minn.). Among the reforms suggested in the committee's final report were an area redevelopment program, retraining efforts for persons left behind by developing technology, increased vocational education opportunities, and a Youth Conservation Corps--ideas that were shortly to become the basis for many of the manpower programs developed in the 1960's. Mangum, The Emergence of Manpower Policy, pp. 26-27. See also the findings and recommendations of the committee in U.S., Congress, Senate, Special Committee on Unemployment Problems, Hearings, Studies in Unemployment, Readings in Unemployment, and Rept. No. 1206, Prepared Pursuant to Sen. Res. No. 196, 86th Cong., 2nd sess., 1960.

[5] U.S., Executive Office of the President, Bureau of the Budget, Special Analyses: Budget of the United States Government, FY 1961 (Washington, D.C.: U.S. Government Printing Office, 1960) and Office of Management and Budget, unpublished data, FY 1970.

[6] See, the staff background report in the next section "Economic Development Policies to Reduce Structural Unemployment," by Everett Crawford and Carol Jusenius.

[7] Manpower Development and Training Act, Neighborhood Youth Corps, Public Service Careers, and Job Opportunities in the Business Sector.

would become outdated by impending automation, the focus quickly shifted to economically disadvantaged persons who lacked even basic job skills.

The seventies began with a burst of new activity as part of a targeted attempt to improve the demand for labor in a weak labor market. The Emergency Employment Act (EEA) of 1971 authorized a Public Employment Program (PEP), the first major Federal job creation effort since the 1930's. In a reversion to the objectives of the programs of the early sixties, PEP served the newly unemployed, including many formerly middle-class workers (e.g., aerospace engineers) whose skills were no longer in demand, rather than the long-term economically disadvantaged.

EEA was enacted strictly as an "emergency" measure under President Richard M. Nixon, who was seeking to end the proliferation of work and training programs and to consolidate within a rational framework those that had grown up in the previous decade in response to conflicting demands for assistance, each with its own (but sometimes overlapping) mission, regulations, and clientele. Although the first two Administration efforts to bring about consolidation failed, in 1973 the Comprehensive Employment and Training Act (CETA) was enacted with bipartisan support. Its twin objectives were decentralization of programs from the Federal to State and local levels of government and decategorization of services so that State and local officials responsible for administering programs could select their own mix of services tailored to meet local needs.[8/]

Since the enactment of CETA, budget outlays for employment-related programs have continued to increase, with much of the expansion due to the growth of public service employment (PSE) to offset weak private sector demand for labor. From fiscal 1974 to fiscal 1979, outlays for all Federal training and employment programs tripled, as illustrated in Chart A. (A listing of specific programs for each agency and outlays for fiscal 1979 is contained in an addendum to this chapter.)

Many Federal agencies administer programs with an employment-related purpose, as shown in Chart A. However, the Department of Labor's involvement is by far the largest, with expenditures in fiscal 1979 equal to about 10 times that for any other agency. Tables 1 through 4 summarize in a number of ways the

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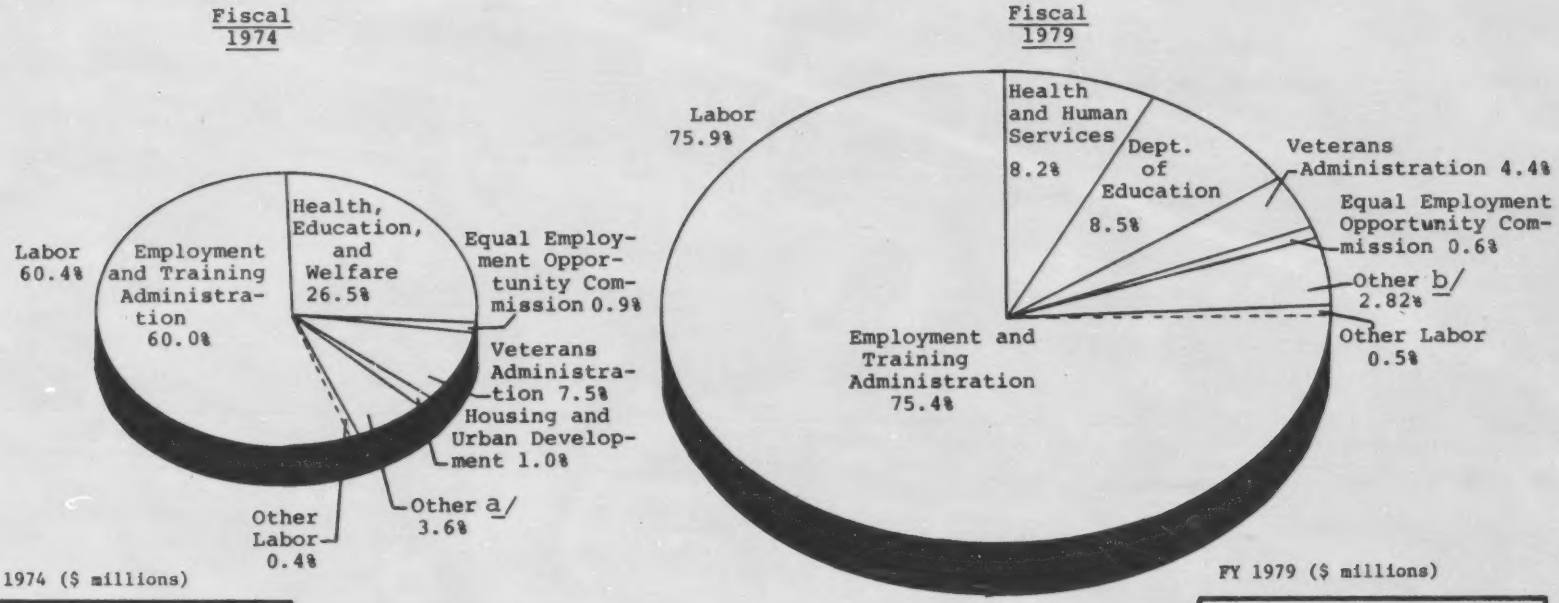
[8/] For a review of the enactment process and legislative intent, see Sar A. Levitan and Joyce K. Zickler, The Quest for a Federal Manpower Partnership (Cambridge, Massachusetts: Harvard University Press, 1974) and Janet W. Johnston, "Intergovernmental Politics: Defining the Federal Role Under the Comprehensive Employment and Training Act of 1973" (Ph.D. diss., University of Chicago, 1979), pp. 54-188.

Chart A. Outlays for Federal Employment and Training Programs by Administering Agency, Fiscal Years 1974 and 1979 ($ in millions)



FY 1974 ($ millions)

Total, All Agencies	$4,692
CSA	30
Defense	10
EEOC	42
HEW	1,244
HUD	46
Interior	30
Justice	5
Labor	2,835
ETA	2,815
Other	20
VA	351
Other	100

FY 1979 ($ millions)

Total, All Agencies	$14,453
Agriculture	63
Commerce	2
Education	1,223
EEOC	93
HHS	1,189
Interior	55
Justice	2
Labor	10,975
ETA	10,893
Other	82
VA	629
Other	202

a/ Includes CSA (0.6%), Defense (0.2%), Interior (0.6%), Justice (0.1%), and Other Federal Agencies (2.1%).

b/ Includes Agriculture (0.4%), Commerce (0.01%), EEOC (0.6%), Interior (0.4%), Justice (0.01%), and Other Federal Agencies (1.4%).

Source: Office of Management and Budget.

Table 1. Federal Obligations for Work and Training Programs Administered by the Department of Labor, Selected Fiscal Years 1963-1974 (amounts in thousands)

Program	Fiscal Year					
	1974	1972	1970	1968	1966	1963-1964
Total	2,143,613 a/	2,696,940	1,418,552	802,173	628,407	198,181
Manpower Development and Training Act	398,462	424,553	336,580	296,418	339,649	198,181
Institutional Training	307,896	355,708	287,031	221,847	281,710	190,744
JOP-OJT b/	90,566	68,845	49,549	74,571	57,939	7,437
Neighborhood Youth Corps	661,712	517,244	356,589	281,864	263,337	--
In School	88,570	74,897	59,242	58,908	c/	--
Out of School	113,651	121,962	97,923	96,279	c/	--
Summer	459,491	320,385	199,424	126,677	c/	--
Operation Mainstream	114,664	85,164	51,043	22,319	--	--
Public Service Careers	28,334	58,301	89,366	7,557	--	--
Special Impact d/	--	--	--	2,038	--	--
Concentrated Employment Program	146,489 e/	154,602	187,592	93,057	25,421	--
JOBS (Federally Financed)	64,026	118,224	148,820	89,920	--	--
Work Incentive Program	250,127	174,788	78,820	9,000	--	--
Job Corps	149,551	202,185	169,782	--	--	--
Public Employment Program	281,120 f/	961,879	--	--	--	--

a/ Includes $39,127,612 obligated for the Migrants Program and $10 million for title IX, National Older Workers Program, which are not shown separately.

b/ Includes the JOBS-Optional Program (JOP), which began in fiscal 1971, and the MDTA on-the-job-training (OJT) program which ended in fiscal 1970 except for national contracts. Also includes Construction Outreach.

c/ Data are not available for NYC components prior to fiscal 1967.

d/ Transferred to the Office of Economic Opportunity, July 1, 1969.

e/ Total includes $36,775,542 in Comprehensive Manpower Program allocations for FY 1974 only.

f/ Includes $44,010,000 under title II and $237,110,000 under title III-A of CETA (extension of Emergency Employment Act).

Note: Details may not add to totals due to rounding.

SOURCE: Manpower Reports of the President, 1970-75.

Table 2. Federal Obligations for Work and Training Programs Administered by the Department of Labor, Fiscal Years 1975 - 1979 (amounts in thousands)

Program	Fiscal Year a/					
	1975	1976	1976 TQ	1977	1978	1979 f/
Total	$4,109,000 b/	$5,086,500	$1,681,600	$9,526,200	$7,368,900	$10,621,300
Comprehensive Employment and Training Act	3,967,100	4,771,600	1,625,600	9,130,900	5,934,200	10,128,300
I/II B and C - Services for the Disadvantaged; Upgrading and Retraining	1,585,100	1,527,800	395,100	1,871,400	1,910,400	1,942,900
II/II D - Transitional Employment for the Disadvantaged	668,800	665,500	97,500	1,195,600	347,300	2,461,800
III - Special National Programs and Activities	229,400	231,800	67,300	253,900	684,200	413,600
IV - Youth Programs:						
Job Corps	210,400	134,300	45,200	209,500	376,500	400,700
Youth Employment and Training Programs	--	--	--	--	983,500 e/	671,400
Summer Youth Programs	390,600 c/	588,200 c/	22,900 c/	594,900 c/	754,600 c/	662,200
VI - Countercyclical Public Service Employment	872,300	1,624,000	997,100	5,005,600	1,861,200	3,317,200
VII - Private Sector Initiative Program	--	--	--	--	--	31,800
VIII - Young Adult Conservation Corps	--	--	--	--	--	226,700
Work Incentive Program	129,900 d/	230,100 d/	56,500 d/	245,000 d/	250,300 d/	272,400 d/
Older Americans Act, Title IX	12,000	84,800	--	150,300	200,900	220,600

a/ Fiscal years 1975 and 1976 begin July 1; fiscal years 1977, 1978, and 1979 begin October 1. The Transition Quarter (July 1 - September 30, 1976) acts as a bridge between the two periods.
b/ Includes $10,500,000 for transition of Emergency Employment Act Programs under title II, sec. 3(a) of CETA (1973).
c/ Authorized by title III, sec. 304 in FY 1975-78. Amount shown not included in title III above.
d/ Individuals receiving WIN services only.
e/ Authorized by the Youth Employment and Demonstration Projects Act (YEDPA) of 1977; funded under title III in FY 1978. Includes funds for YACC.
f/ Title changes occurred as a result of the 1978 CETA Amendments.
SOURCE: Employment and Training Reports of the President, 1976-80.

Table 3. Federal Funds for Employment and Training Programs, Total and Department of Labor, Compared with Gross National Product, Fiscal Years 1972-1980 (amounts in millions of dollars)

Fiscal Year	Obligations			Gross National Product (GNP)	Total Obligations as percent of GNP
	Total, All Agencies	Department of Labor			
		Amount	Percent of Total		
1972	4,941	3,348	67.8	1,110,500	0.44
1973	5,252	3,342	65.3	1,237,500	0.42
1974	4,641	2,817	60.7	1,359,200	0.34
1975	6,931	4,797	69.2	1,457,300	0.48
1976 [a]	8,670	5,876	67.8	1,621,000	0.53
1977	12,628	10,393	82.3	1,843,300	0.69
1978	11,439	8,309	72.6	2,060,400	0.56
1979	15,258	11,675	76.5	2,313,400	0.66
1980 (est.)	13,747	10,139	73.8	2,518,000	0.55

[a] Excludes transition quarter.

SOURCE: Office of Management and Budget.

Table 4. Appropriations and Expenditures, Department of Labor: Manpower Development and Training Act, Economic Opportunity Act, Emergency Employment Act, Comprehensive Employment and Training Act, Social Security Act (Work Incentive Program), and Older Americans Act, Fiscal Years 1963-1980 (amounts in millions of dollars)

Fiscal Year	Total Appropriations	Expenditures						
		Total	MDTA	EOA	EEA	CETA	SSA/WIN	OAA
Total, all years	65,123.2	60,028.1	4,446.8	4,756.3	2,239.6	44,617.7	3,252.7	715.0
1963	69.9	51.8	51.8	--	--	--	--	--
1964	130.0	110.0	110.0	--	--	--	--	--
1965	529.4	280.3	229.6	50.7	--	--	--	--
1966	977.4	520.7	275.5	245.2	--	--	--	--
1967	1,057.1	542.0	274.8	267.2	--	--	--	--
1968	1,154.2	796.1	356.9	439.2	--	--	--	--
1969	1,432.8	911.2	377.4	501.2	--	--	32.6	--
1970	1,579.5	1,185.9	408.4	690.9	--	--	86.6	--
1971	1,727.2	1,534.1	651.4	753.7	--	--	129.0	--
1972	2,941.3	2,441.5	894.1	809.4	567.0	--	171.0	--
1973	3,091.6	2,775.0	816.9	662.8	1,014.2	--	281.1	--
1974	2,616.0	2,734.9	--	336.0	605.0	1,454.0	339.9	--
1975	3,964.8	3,490.2	--	--	53.4	3,123.0	313.8	8.6
1976	6,227.7	5,342.3	--	--	--	5,035.0	307.3	46.5
1976 TQ	677.6	1,634.3	--	--	--	1,537.0	86.5	10.8
1977	8,572.8	6,063.6	--	--	--	5,631.0	360.5	72.1
1978	8,701.6	10,031.4	--	--	--	9,533.0	364.1	134.3
1979	10,908.1	10,035.8	--	--	--	9,443.0	385.0	207.8
1980 (est.)	8,764.2	9,491.9	--	--	--	8,861.7 a/	395.3	234.9

a/ Includes $0.1 million of EEA funds.

SOURCE: U.S. Department of Labor, Employment and Training Administration, Office of Administration and Management.

Labor Department's increasing responsibility for work and training programs since the 1960's; Tables 1 and 2 list obligations for specific DOL programs for selected fiscal years 1963 through 1979; Table 3 compares DOL obligations for work and training programs with the total for all Federal agencies from fiscal year 1972 onward; and Table 4 lists DOL expenditures, by legislative authority, and total appropriations (budget authority) from all sources, for fiscal years 1963 through 1980 (estimated). As these data indicate, the role of the Department of Labor in administering work and training programs has increased dramatically since 1961 when the newly created Office of Automation and Manpower consisted of six staff persons (three clerical and three professional) with a total annual budget of $70,000.9/

B. Service Mix

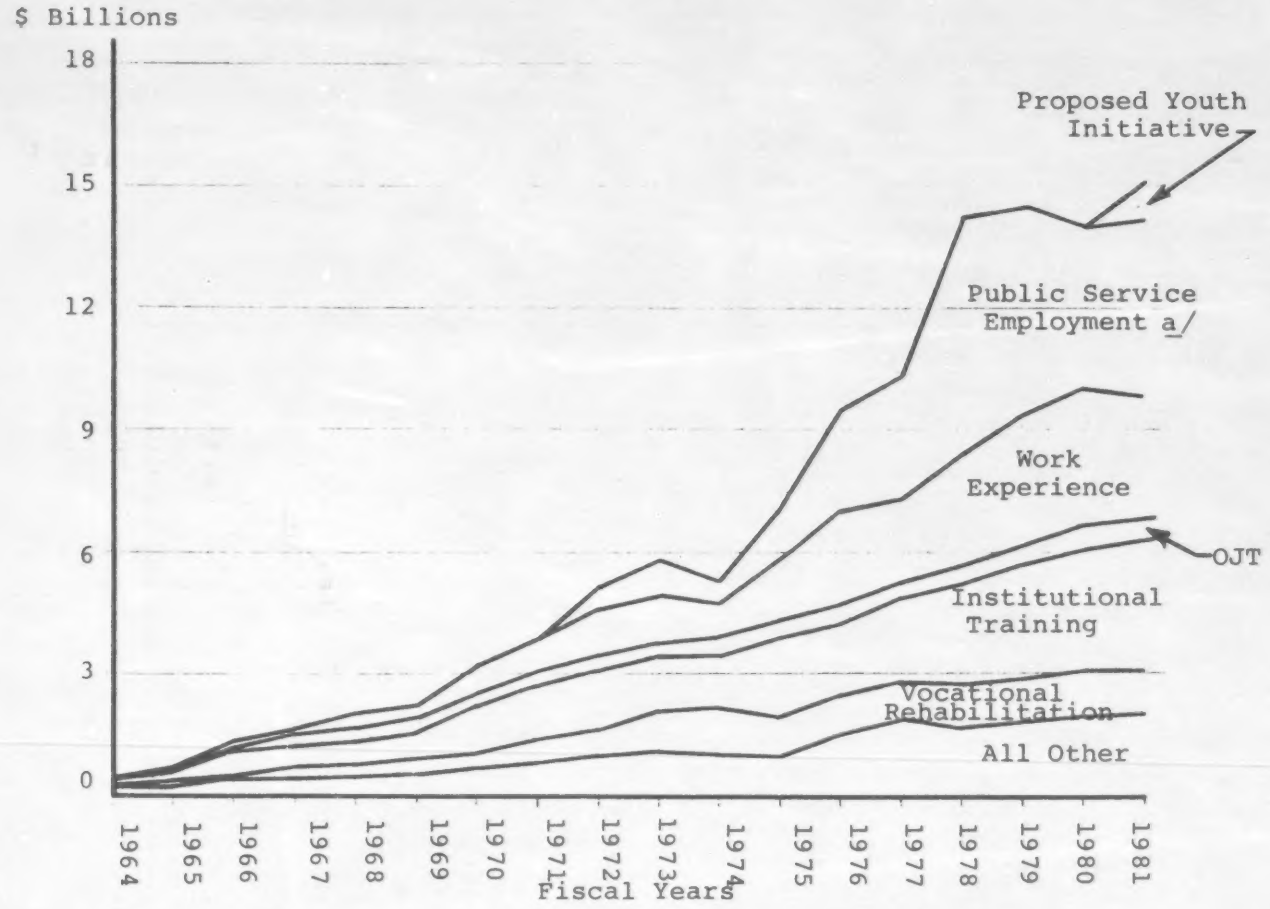
Not only the level of expenditure but the composition or "mix" of services offered in Federal programs is important for understanding the direction of employment policies. Generally, all of the services provided in employment and training programs administered by the Department of Labor and other Federal agencies are designed to increase employment opportunities, particularly for the disadvantaged, and to improve long-term employment and earnings. These programs attempt to correct deficiencies in labor markets by developing work skills, providing temporary employment and work experience, and improving the matching of workers and jobs. Other related labor services include the regulation of employer and employee relations and the publication of labor statistics.

Trends in the use of particular kinds of services from fiscal year 1962 to the present are shown in Charts B-1 and B-2. Chart B-1 illustrates outlays (in billions of dollars) for Federal training and employment programs, by type of activity, and Chart B-2 shows years of service purchased under these same categories.10/

9/U.S., Congress, Senate, Committee on Appropriations, Labor-HEW Appropriations Hearings for 1962, 87th Cong., 1st sess., 1962, pp. 146-47.

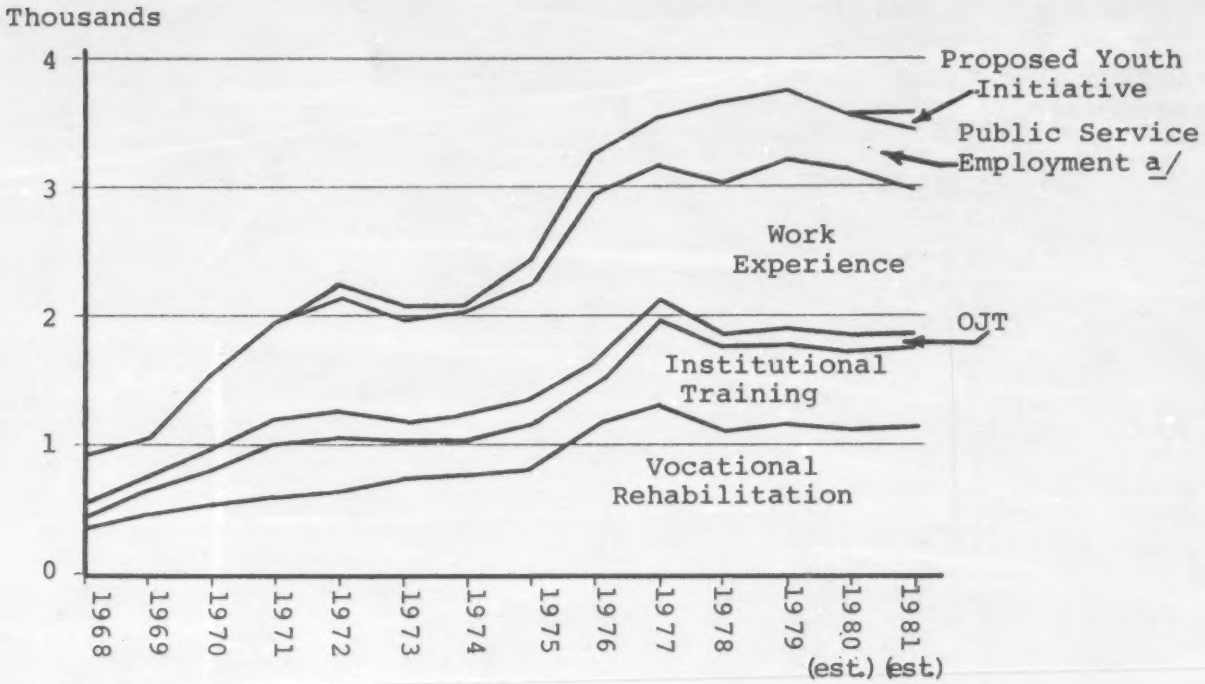
10/The usefulness of these charts as a policy-gauging device is somewhat flawed by the fact that the value of the dollar changed over the period depicted, and the quality of service in each activity may also have differed to some degree. However, they do give at least a general indication of the degree of emphasis placed on each type of service over time.

Chart B-1. Outlays for Training and Employment Activities, All Federal Agencies, Fiscal Years 1964 - 1981 (amounts in billions)



a/ Total Public Service Employment Activities.
SOURCE: Office of Management and Budget.

Chart B-2. Years of Service Funded in Federal Training and Employment Programs, Fiscal Years 1968 - 1981 (amounts in thousands)



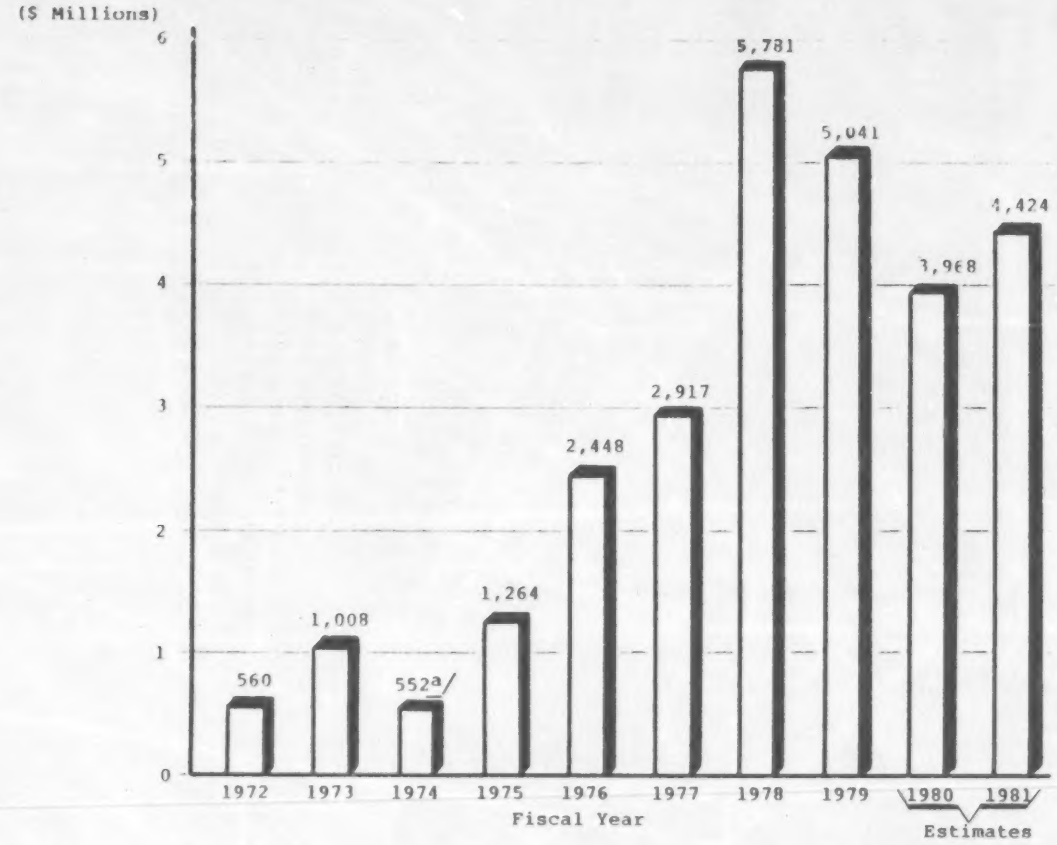
a/ Total Public Service Employment Activities.

SOURCE: Office of Management and Budget.

Although outlays for most activities shown on these charts have expanded since the 1960's, the greatest increase occurred in public service employment (PSE). Outlays for PSE totaled $560 million in fiscal year 1972, but had risen to $5.1 billion in fiscal 1979. The 1979 funds were expended in two separate programs under CETA: $1.8 billion provided some 198,000 jobs for low-income, long-term unemployed persons under title II-D, while $3.3 billion purchased 362,100 jobs for unemployed persons in title VI programs who had up to 40 percent higher incomes and shorter periods of unemployment than those under title II-D. Chart C summarizes the growth of public service employment as a program strategy since 1972.

The next section of the chapter will examine in more detail the particular strategies that have been applied through Federal work and training programs over the last two decades, with some discussion of their general effectiveness.

Chart C. Outlays for Federal Public Service Employment Programs, Fiscal Years 1972 - 1981 ($ in millions)



a/Includes $80 million from the Emergency Employment Act.
SOURCE: Office of Management and Budget.

III. EMPLOYMENT ASSISTANCE STRATEGIES

The Employment Act of 1946 declared that "it is the continuing policy and responsibility of the federal government . . . to foster and promote free competitive enterprise and the general welfare, conditions under which there will be afforded useful employment opportunities, including self-employment, for those able, willing, and seeking work, and to promote maximum employment and purchasing power."[1/] Three decades later, the Full Employment and Balanced Growth Act of 1978, restated these objectives and called upon the Federal Government to take whatever actions were necessary to achieve full employment, price stability, regional and national growth, and other related goals, while at the same time striving for a balanced Federal budget and a minimal annual rate of inflation.[2/]

Although the combined goals of high employment, low inflation, and a balanced budget have been and continue to be stubbornly elusive, the Federal Government for most of the past 50 years has engaged in efforts to bring down both the national rate of unemployment and the higher rates associated with particular population subgroups through active interventions in the labor market that transcend fiscal and monetary policy. These positive actions, all generally directed toward helping people to improve their performance in the labor market, attack the problem on several fronts by improving worker skills increasing demand for labor, or otherwise altering the manner in which labor markets function.

Among the general strategies that have been followed and will be discussed in this section are: job creation (public service employment and public works); hiring incentives; employability development, including skill training and other forms of assistance that enhance the value of a potential worker to an employer; and efforts to remove impediments to employment that may currently exist in the labor market itself (e.g., development of alternative work schedules, jobsharing, equal employment opportunity enforcement programs, etc.).

Over the past 6 years, Commission staff have reviewed and Commission members have made recommendations concerning many of these strategies. The following paragraphs summarize very briefly what is already known about them and, where appropriate, points up questions and issues that remain to be resolved.

1/ Statutes at Large, vol. 60 (1946).

2/ 92 Stat. 1887., Public Law 95-523 (October 27, 1978).

A. Job Creation

In the realm of employment policy, no single strategy has elicited more controversy than public job creation, perhaps because, as one policy analyst has written, for our capitalist society, "It represents an admission that the current structure of the market economy . . . is unable to secure adequate economic performance."[3/]

During the 1930's, the Federal Government embarked on a massive program of public works and public service employment (PSE) to assist the millions of persons who were unemployed as a result of an unprecedented breakdown in the Nation's economy. The Office of Management and Budget (OMB) estimates that the aggregate expenditure for job creation and related programs in the period 1932 to 1943 totaled $24 billion. However, despite notable successes in the form of new public buildings, bridges, and roads and the support of highly acclaimed artists and writers of the period, the negative image associated with many so-called "make-work" WPA projects helped to forestall any return to a job-creation strategy until the early 1960's, when federally supported public works became a tool for economic development of impoverished regions.

Thus, the Area Redevelopment Act (ARA) of 1961 offered financial aid to economically depressed local jurisdictions interested in making public improvements that would help attract manufacturing and commercial firms to their areas.[4/] In 1962, Congress expanded on this initial effort by enacting the Public Works Acceleration Act, which produced $900 million for public works projects in areas that continued to experience substantial unemployment.[5/]

[3/] Robert H. Haveman, "Direct Job Creation," in Employing the Unemployed, ed. Eli Ginzberg (New York: Basic Books, Inc., 1980), p. 142.

[4/] For further discussion, see Crawford and Jusenius, "Economic Development Policies to Reduce Structural Unemployment," in this volume.

[5/] Ewan Clague and Leo Kramer, Manpower Policies and Programs: A Review, 1935-75 (Kalamazoo, Michigan: The W.E. Upjohn Institute for Employment Research, January 1976), p. 11.

Additional public works and economic development legislation was enacted in 1965, 1974, and 1976. The Public Works and Economic Development Act of 1965 (Public Law 89-136) provided $500 million annually for 4 years for public works and development facility grants to any depressed area in the Nation and authorized the establishment of an Economic Development Administration (EDA) in the Department of Commerce to play a major role in activities of this kind. The Housing and Community Development Act of 1974 (Public Law 93-383) consolidated a number of separately funded programs of the Department of Housing and Urban Development (HUD) into the Community Development Block Grant Program, which supports a wide variety of activities based on local priorities, including construction of public facilities, building rehabilitation, and other projects designed to benefit low- and moderate-income people. Finally, the Public Works and Employment Act of 1976 (Public Law 94-369) authorized the distribution of $2 billion in countercyclical funds to State and local governments for job-creating public works projects through EDA, $1.25 billion in countercyclical funds through the Revenue Sharing Office of the Treasury Department, and $480 million for water pollution abatement grants through the Environmental Protection Agency.

Since then, community and regional development activities have continued to receive emphasis by the Federal Government, in part at least as an employment-generating device, although there is little evidence that programs of this kind create net new jobs nationally for the structurally unemployed.[6] In fiscal 1979, actual Federal outlays for all public works and construction totaled $26.2 billion, including $6.4 billion for Federal public works and $19.8 billion in grants to State and local governments for community and regional development and other related efforts. (See Table 5.) For fiscal 1980, the estimate is slightly higher at $27 billion.[7]

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[6] Crawford and Jusenius, "Economic Development Policies to Reduce Structural Unemployment."

[7] U.S., Executive Office of the President, Office of Management and Budget, The Budget of the United States Government - Fiscal Year 1981, (Washington, D.C.: U.S. Government Printing Office, 1980), pp. 206-16.

Table 5. Federal Outlays for Civil Public Works and Construction, Fiscal Years 1979-1980 (amounts in millions of dollars)

Function or Program	1979 actual	1980 estimate
Federal public works: a/		
Community and regional development	204	126
Water resources projects	2,269	2,410
Other natural resources and environment	669	722
Energy	2,093	2,383
Transportation	302	413
Veterans hospitals	236	264
Health	177	171
Other functions	426	549
Total, Federal public works	6,377	7,039
Grants to State and local governments:		
Community and regional development:		
Community development block grants	3,161	3,500
Local public works	1,741	358
Other	1,252	1,410
Subtotal, community and regional development	6,154	5,268
Highways and mass transit	8,796	9,613
Other transportation	579	665
Pollution control and abatement	3,756	3,900
Other natural resources and environment	289	270
Other	222	216
Total, grants to State and local governments	19,797	19,932
Total, public works	26,174	26,971

a/ Outlays for the construction and rehabilitation of physical assets, including privately owned assets.

SOURCE: U.S., Executive Office of the President, Office of Management and Budget, The Budget of the United States Government, Fiscal Year 1981 (Washington, D.C.: U.S. Government Printing Office, 1980), p. 215.

Although even strong critics of job-creation strategies have sometimes supported the value of well-planned and efficiently administered public works projects, public service employment (PSE) has elicited far more resistance. For example, in 1970, President Nixon vetoed the first manpower reform measure, despite its general agreement with his own precepts of administrative decentralization and program decategorization, because it contained a large-scale PSE component that he characterized as offering dead-end, "WPA-type" jobs. The next year, however, continuing economic distress in the aerospace industry led him to a reluctant acceptance of the Emergency Employment Act of 1971, which authorized a 2-year $2.25 billion Public Employment Program (PEP).

From the program's inception in August 1971 through June 1973, some 404,000 persons were employed in PEP projects,[8] and, although the program was implemented too quickly and decelerated too abruptly to provide definitive answers regarding the effectiveness of public employment programs, its political popularity was such that a separate authorization for public employment programs in areas of "substantial"[9] unemployment was added to the Comprehensive Employment and Training Act (CETA) of 1973 under title II. The following year, in response to continued deterioration of economic conditions nationwide, Congress amended CETA to include a sizeable countercyclical PSE program that would go into effect whenever the national unemployment rate exceeded 4 percent.

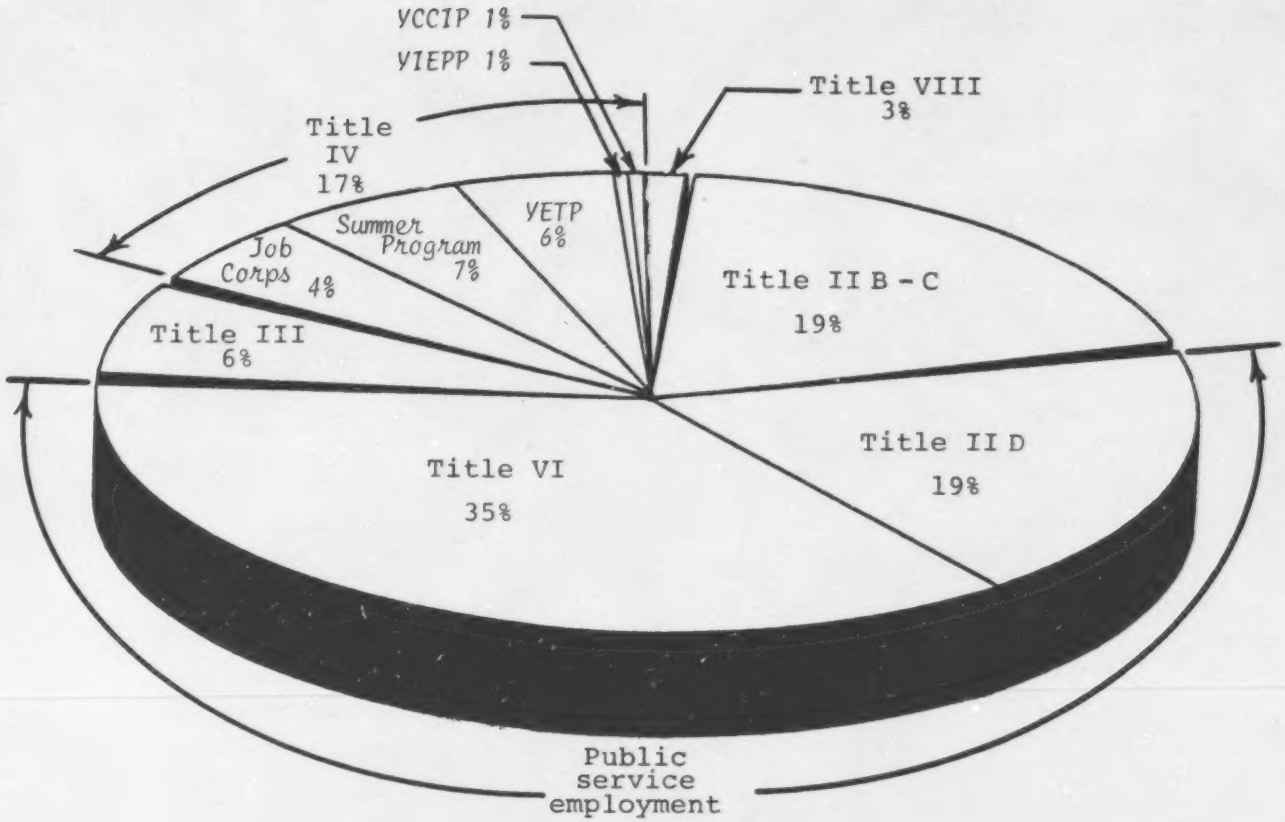
Since 1974, public service employment has absorbed a substantial part of Federal employment and training program funds. In fiscal 1979, 54 percent or $5.1 billion of the total $9.4 billion in CETA program outlays was spent for transitional public service jobs for the economically disadvantaged (title II-D) as well as for countercyclical PSE programs (title VI). See Chart D.

The following paragraphs will consider in somewhat more detail exactly what public service employment and public works strategies can offer to policymakers concerned with high unemployment.

8/U.S., Department of Labor, Manpower Report of the President, Table F-1. (Washington, D.C.: U.S. Government Printing Office, 1974), p. 358.

9/By definition, 6.5 percent or more for 3 consecutive months.

Chart D. CETA Outlays, by Title, Fiscal Year 1979



Total $9.4 Billion [1]	
Title II B+C	1.8 billion
Title II D	1.8 billion
Title III	.5 billion
Title IV	1.8 billion
Title VI	3.3 billion
Title VII	.009 billion
Title VIII	.3 billion

a/ Details add to more than the total because of rounding.

SOURCE: U.S. Department of Labor

1. Public Service Employment

There are essentially four program strategies identifiable under the general rubric of "public service employment": (1) countercyclical PSE, considered an "emergency measure" designed to counter the effects of a sudden downturn in the business cycle (PEP, CETA title VI); (2) use of the public sector to provide temporary employment for the economically disadvantaged while they receive training for permanent unsubsidized jobs in either the private or public sectors (New Careers, Public Service Careers, CETA title II-D); (3) work experience in low- or unskilled jobs, which offers a transfer income, along with job experience, that may be of help in securing unsubsidized jobs (Operation Mainstream, Neighborhood Youth Corps, and the Senior Community Service Employment Program); and (4) "employer of last resort," providing income for persons who, regardless of the state of the economy, are not able to find work on their own (some recent welfare reform proposals such as the Program for Better Jobs and Income and the Employment Opportunity Pilot Program).

a. Countercyclical PSE

The public employment programs of the 1930's, PEP, and the CETA title VI program share a common philosophy that workers who are unemployed because of continuing recession or depression are entitled to maintain a mimimum standard of living through government-subsidized employment so long as unsubsidized employment remains unavailable to them. Programs of this kind are attractive in combining maintenance of job skills with an income transfer that lacks the social stigma attached to welfare payments. Further, as temporary measures tied to unemployment rates, they can in principle be "triggered" on or off relatively quickly and targeted to specific areas of need as they arise. There is, however, usually some delay in the appropriations process as well as in the time required for institutions to provide the jobs.

Although countercyclical PSE programs are attractive from many standpoints, a major source of concern for policymakers is whether and/or to what degree they are accompanied by job displacement, or the substitution of federally funded positions for positions that would otherwise have been supported by local funds. This question led Senator Henry Bellmon of Oklahoma to introduce an amendment to the Emergency Jobs Programs Extension Act of 1976 that called upon the National Commission for Manpower Policy to report to the Congress on the "net employment effects" of the public service employment programs authorized by titles II and VI of CETA.

Other studies had found substitution rates ranging from 25 percent to around 60 percent after 1 year and from 40 percent to as high as 90 or 100 percent after 2 years.[10] In contrast, the NCMP-supported survey (July 1977) of 42 political jurisdictions (urban and rural, large and small, with varying degrees of unemployment), conducted by The Brookings Institution, discovered an overall job-displacement rate of 18 percent and, in the 12-month, project-oriented PSE positions mandated by the 1976 legislation, a rate of only 8 percent.[11] A followup survey in December 1977 found that, in the aggregate, displacement declined from 18 to 15 percent, although there was evidence of greater substitution in project positions and for nonprofit agencies.[12]

The conclusion reached on the basis of the Brookings study and reported to the Congress by the Commission was that, notwithstanding the concerns of some program critics, "local employing agencies have not used federal funds to displace workers whom they would otherwise have paid from their own resources."[13] With this conclusion, however, there is an acknowledgement that variations in methodology among the

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[10]/See the summary discussion of these studies in An Interim Report to the Congress of the National Commission for Manpower Policy: Job Creation Through Public Service Employment, vol. II, Monitoring the Public Service Employment Program, Report No. 6 (Washington, D.C.: National Commission for Manpower Policy, 1978), pp. 14-16.

[11]/Ibid., Vol. I, Summary of Findings and Recommendations, p.1. The Commission has funded a study to determine the net cost per job created by PSE programs and local public works projects. The study, which will be completed in 1981, is considering the effect of substitution on PSE net costs. For further information, see the preceding staff paper on tax and economic policies.

[12]/Monitoring the Public Service Employment Program: The Second Round, Special Report No. 32 (Washington, D.C.: National Commission for Manpower Policy, March 1979), p. ii.

[13]/An Interim Report: Job Creation Through Public Service Employment, vol. I, p. vi.

various studies of PSE substitution make comparisons of findings very difficult.[14]

While the issue of substitution has yet to be resolved to the satisfaction of all, changes in title VI programs introduced by the 1978 CETA Amendments (i.e., more stringent eligibility requirements that favor the economically disadvantaged, wage ceilings, and tenure limitations) are expected to bring about further reductions in substitution, at least in the short run, although there is some evidence that the more limited flexibility now built into PSE programs makes them less attractive to CETA prime sponsors.

A Department of Labor-sponsored preliminary evaluation, based on observations in 28 prime sponsor jurisdictions approximately 2 months after the reauthorization amendments became fully effective, noted that there had been an observable shift toward enrollment of a more disadvantaged population, as planned, but that, as a further result, there appeared to be "a reduced likelihood that PSE will fully achieve some of its other objectives." Specifically, a reduction in PSE skill levels to accommodate less well-educated disadvantaged applicants may diminish the potential output of services, while the prevailing and average wage requirements may reduce the opportunity for transition into unsubsidized jobs.[15] The acceptability of these outcomes, if they continue, will have to be weighed against the desirability of further reduction in substitution and the shift toward more targeted assistance to the disadvantaged and a more counterstructural program.

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[14] The Brookings study distinguished between two types of job creation: the provision of services or expansion of existing ones that would not otherwise have been funded and the maintenance of current services that without PSE resources would have been cut back. It was found that new job creation accounted for 51 percent of the PSE jobs in the 1977 survey, while job maintenance accounted for 31 percent. The remaining 18 percent of the jobs were considered to represent true substitution. Estimates of substitution were biased downward to some degree because the study relied on responses from officials about what they would have done. Ibid., pp. 19-20.

[15] U.S., Department of Labor, Employment and Training Report of the President (Washington, D.C.: U.S. Government Printing Office 1980), p. 173. See also William Mirengoff, et al., The New CETA--Effects on Public Service Employment Programs: Final Report (Washington, D.C.: National Research Council, National Academy of Sciences, 1980).

A second difficulty associated with PSE programs concerns the effect of job creation on the rate of inflation. To be completely successful, any such effort would have to lower the unemployment rate without aggravating inflation. In the shorthand of economics, the level of unemployment sought is known as NAIRU, or the Non-Accelerating Inflation Rate of Unemployment. At rates above this level (now probably more than 5.5 percent), an expansionary economic policy will achieve higher employment without permanently increasing the rate of inflation. Below that level of unemployment, wage and price levels continually accelerate if additional stimulus is applied.

One recent (1978) review of the issue rejects a "simplistic negative view that every public job displaces a private job," but at the same time, characterizes as "naive" the belief "that every new public job reduces unemployment without any inflationary consequences or any displacement of other jobs . . . ."[16/] The authors of this article suggest that success of direct job creation programs depends upon strict control over eligibility, with preference given to workers who are not strongly competitive in existing labor markets; wage payments that are fixed, independent of the numbers of vacancies and applicants, and that fall below prevailing market wages, preferably below the minimum wage; an emphasis on training, useful job experience, and workplace discipline; and limited job tenure that is accompanied by strong encouragement to seek unsubsidized employment.

Even with these constraints, however, employment policies by themselves may not be able to supply "the whole answer to the unemployment-inflation dilemma," although it is possible to argue, as the authors do, that justification for direct job creation programs is ultimately not macroeconomic. In their words: "The outputs of public jobs--in socially useful tasks accomplished and in human capital preserved and improved--are in the end the principal criteria for evaluating programs."[17/]

Unfortunately, measuring the value of program output in both personal and social terms is far from an easy task. Methodological problems with many early evaluation studies have added to the difficulty. Better-quality information on the value of PSE

[16/] Martin Neil Bailey and James Tobin, "Inflation-Unemployment Consequences of Job Creation Policies," in Creating Jobs: Public Employment Programs and Wage Subsidies, ed. John L. Palmer (Washington, D.C.: The Brookings Institution, 1978), p. 72.

[17/] Ibid., p. 74.

programs for participants is now becoming available as part of the ongoing DOL-sponsored Continuous Longitudinal Manpower Survey (CLMS), although some methodological difficulties continue unresolved.[18]

Preliminary comparisons of pre- and postprogram earnings for CETA participants in adult programs indicate that, in general, the impact of these programs has been positive and that the net earnings gains ($200) for a national sample of PSE participants who entered CETA during the first half of 1975, though smaller than for those in the on-the-job training (OJT) component ($700), are nonetheless significant vis-à-vis a comparison group.[19] Moreover, for PSE, as for other CETA programs, the more disadvantaged participants--those with limited earnings and limited employment prior to program entry--have registered more sizeable gains than comparable nonparticipants. The pattern prevails when the data are disaggregated by race and sex.

A supplement to the first CLMS working paper was completed in June 1980. To increase the precision of the earlier impact estimates, it stratifies the sample of 1975 participants into "lower earners" and "higher earners" as a means of separating those with little experience and low earnings in the pre-CETA period from those with a stronger attachment to the labor force. As in the earlier analysis, participants with low preprogram earnings benefited more from participation in CETA than persons with a history of more substantial earnings. This was especially true for PSE where in 1976 the low-earnings group

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[18] For example, since it was not possible to assign potential participants randomly to the program or to a control group, there is some uncertainty about the amount of selectivity bias present in the estimates of net impact. Also, the CLMS study is limited to four adult components of the program, and results do not control for differences in local labor market conditions.

[19] Westat, Inc., Continuous Longitudinal Manpower Survey: The Impact of CETA on Participant Earnings, Working Paper No. 1, Entrants During the First Half of 1975 (Rockville, Maryland: Westat, Inc., for the U.S. Department of Labor, Employment and Training Administration, January 1980), pp. 6-7. These findings are subject to data limitations described on pp. v-vi and in chapter 2 of the Westat paper.

experienced a gain of about $850 compared with a shortfall of nearly $400 for the higher earnings group.[20]

Preliminary estimates for a cohort of 1976 CETA enrollees became available in November 1980. As more information of this kind is obtained, the value of PSE can be gauged more accurately, but for now it can be said to have a positive effect in raising the net earnings of participants from low-income groups. Whether these are long-term results and whether the benefits justify the costs remain to be calculated. The Commission is currently examining these data and will report next year. At the same time, the problems of substitution and inflationary impact of direct job creation as well as the difficulties associated with setting up programs very rapidly must be considered as decisions are made regarding the use of PSE as a device for alleviating either cyclical or structural unemployment.

b. Public Sector as a "Port of Entry"

Another objective of PSE programs can be to provide temporary jobs for disadvantaged persons who are expected to gain experience from providing needed public services and then to move on to permanent, unsubsidized jobs in the public (or private) sector. This was the stated purpose of title II-D of the amended CETA, as it was for both New Careers and its successor, Public Service Careers, during the late 1960's.

The New Careers Program, which derived from a 1966 amendment to the Economic Opportunity Act (EOA), offered "career ladder opportunities" to disadvantaged adults and out-of-school youth in human service fields such as health, education, welfare, neighborhood development, and public safety. Classroom instruction was provided, along with on-the-job training, and enrollees

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[20] See Westat, Inc., Continuous Longitudinal Manpower Survey, The Impact of CETA on Participant Earnings, Working Paper No. 2, Entrants During the First Half of 1975 (Rockville, Maryland: Westat, Inc., for the U.S. Department of Labor, Employment and Training Administration, June 1980), pp. xv, 3:32-36. The researchers note that the absence of earnings data for unsubsidized government employment, which is not covered under Social Security, the chief source of data for the study, affected the statistics for PSE.

were guaranteed full-time jobs by the agencies that offered the training.[21]

New Careers was subsumed under the Public Service Careers (PSC) Program in 1970. Somewhat broader in scope than its predecessor, PSC offered, within the bounds of civil service merit principles, permanent employment for the disadvantaged in most State and local public service agencies. The PSC program paid part of the cost of on-the-job training and intensive supportive services (e.g., health care, transportation, and child care) and, in addition, supported some upgrading activity for current employees in low-skilled positions.[22]

Between 1967 and 1972, public service employment opportunities were offered to more than 111,000 enrollees in both New Careers and PSC.[23] Although massive countercyclical public employment efforts such as PEP and title VI of CETA overshadowed the Public Service Careers concept in the early 1970's title II-D of the amended CETA, emphasizing transitional employment opportunities for the economically disadvantaged, continues the theme into the present. In fiscal 1979, some 459,800 enrollments were reported in programs authorized by that title.[24]

There were no nationwide impact studies of either New Careers or Public Service Careers, but pre- and postprogram earnings and employment data were collected in several case studies, along with some attitudinal information on program effectiveness. A 1975 review of these studies and other available evaluation literature found evidence of modest success in

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[21]Larry R. Matlack, "Public Service Careers and New Careers," in The Impact of Government Manpower Programs In General, and on Minorities and Women, Manpower and Human Resources Studies No. 4, ed. Charles R. Perry, Bernard E. Anderson, Richard L. Rowan, and Herbert R. Northrup (Philadelphia: Industrial Research Unit, The Wharton School, University of Pennsylvania, 1975), pp. 202-203.

[22]Ibid., pp. 203-204.

[23]1973 Manpower Report of the President, Table F-1, p. 227.

[24]1980 Employment and Training Report of the President, Table F-2, p. 348.

moving disadvantaged participants, especially minority group members and women, into permanent public service jobs and also discovered limited gross earnings gains for participants.[25] Similarly, as noted in the discussion above, CLMS net earnings data for 1975 enrollees in all PSE programs indicate a positive program impact for low-income participants.[26]

While public employment programs of this nature appear to have some value, any further expansion would depend upon various institutional, political, and legal barriers erected by unions, professional societies, and civil service or licensing agencies. More importantly, permanent job placements are more easily achieved with an expanding work force, which may not be reflective of actual conditions in many areas where State and local budgets are currently facing stringent cutbacks. For all these reasons, PSE as a "port of entry" for low-skilled and disadvantaged workers may be viewed as a useful, if limited, counter-structural device that is subject to constraints on size that are generally not within the control of the Federal Government.

c. Work Experience

Work experience programs were developed during the 1960's to provide persons with little or no stable work histories employment in unskilled or low-skilled jobs. The experience enables participants to earn a wage while establishing a work record and learning to cope with workplace discipline. It may also serve to provide income transfer payments under more socially acceptable conditions than welfare.

Jobs may be provided by either the private or public sectors, but are subsidized in whole or in part by government funds. Clients are usually the very old (Operation Mainstream, Green Thumb, Senior Community Service Projects) or the very young (Neighborhood Youth Corps, CETA Summer Youth Program), and, in the latter case, an additional objective is to prevent the idleness and boredom that may eventually lead to street crime or other antisocial activities. Projects are offered in both rural and urban settings, and the type of work available

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[25] Matlack, "Public Service Careers and New Careers," pp. 220-221.

[26] See Westat, Inc., CLMS, The Impact of CETA on Participant Earnings, Working Papers No. 1 and 2, Entrants During the First Half of 1975.

varies considerably, ranging from the cleanup of roadside parks to highly structured programs that provide participants with the opportunity to sample a variety of occupations and to accumulate more complex job skills as they progress in the program.

Although evaluations of most work-experience efforts have shown very little evidence of postprogram earnings gains and only limited increases in employment potential, the noneconomic effects of the program can be substantial. This is particularly true for older workers in areas where employment opportunities are limited and funds are needed to sustain even a minimal subsistence level. The 1975 review of evaluation literature cited earlier found a "significant secondary impact" on Operation Mainstream's elderly enrollees who reported improved mental and physical health and a more positive self-image. Other byproducts of the program were "less worker dependence on other federal aid programs, and an improved community concept of the older worker as a potential labor force."27/ Similar findings are associated with the Senior Community Service Employment Program, sponsored by State governments, national organizations for older workers, and the U.S. Forest Service and currently operating at a funding level of 47,000 jobs.28/

In contrast, depending upon how well various summer jobs projects are run, the lessons learned by youthful participants in work experience programs may actually be detrimental if they lead to the conviction that the minimum wage is due to them regardless of the quality of work performed or the degree of effort applied. To counteract this notion, the Department of Labor in recent years has been especially anxious to imbue its youth programs with higher levels of skill training and more workplace discipline.

27/Larry R. Matlack, "Operation Mainstream," The Impact of Government Manpower Programs, p. 473.

28/Like its predecessor, Operation Mainstream, the Senior Community Service Employment Program offers subsidized part-time employment to low-income persons age 55 and over. The program is authorized by title V of the Older Americans Act. See the discussion of this program in the 1980 Employment and Training Report of the President, pp. 34-35.

Both the CETA summer program and the youth demonstration programs, originally authorized by the Youth Employment and Demonstration Projects Act of 1977 and now part of CETA title IV, have emphasized these objectives. However, while some communities have designed sophisticated work experience programs for youth, characterized by linkages to education and apprenticeship, skilled supervision, and greater expenditures for materials, the added expense involved and the greater possibility for failure in more elaborate projects have so far limited the number of these efforts.[29] Thus, the effectiveness of each youth experience program continues to reflect the commitment and management skills of local administrators.

A variant of work experience that offers the closest supervision is "supported work," which provides individual counseling and other services to clients who are least likely to function in a normal work setting. A recently completed 5-year demonstration project, funded by a consortium of Federal agencies and the Ford Foundation, sought to evaluate the effectiveness of this technique for increasing the employment and earnings of particularly disadvantaged groups and for reducing welfare dependency and criminal activity among participants. The study determined that the effect of the program on women who are long-time recipients of welfare payments under the Aid to Families with Dependent Children (AFDC) program was positive in terms of both employment and earnings, but the gains for ex-addicts, ex-offenders, and, in particular, young school dropouts were small at best.[30] Therefore, because of its relatively high cost and apparently limited effectiveness for most groups tested, the supported work concept is probably most useful when applied selectively to particular client groups.

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[29] See the chapter on youth training and employment in ibid., pp. 87-88.

[30] Research findings from the 5-year study have been summarized in a final report: The Board of Directors Manpower Demonstration Research Corporation (MDRC), Summary and Findings of the National Supported Work Demonstration (Cambridge, Massachusetts: Ballinger Publishing Co., 1980). See also the Employment and Training Evaluation Report-1979 (Washington, D.C.: U.S. Department of Labor, 1979), pp. 17-21, and Judy Gueron, "The Supported-Work Experiment," Employing the Unemployed, pp. 73-93.

To sum up, work experience programs per se have had only mixed success in the past. For some, particularly older workers residing in areas where job opportunities are few and for whom workplace discipline is not a problem, the opportunity for work may prove to be of tremendous value not only as a source of needed income, but as a source of self-esteem. For others, especially youth, work experience without close supervision and a worthwhile product or service to point to at the end, may accomplish very little, other than an income transfer. Indeed, it may even be detrimental in terms of work attitude. Specialized programs such as supported work may help some, but not all,and are, in addition, expensive. This strategy, then, must obviously be used with great care and be tailored closely to individual needs and the particular local setting, if it is to be counted a success.

d. Government as "Employer of Last Resort"

Countercyclical PSE programs and work experience programs like supported work that seek to employ the least job-ready persons are based, in part, on the belief that Government is obligated to provide work for those who cannot find it on their own so that they can maintain at least a minimal standard of living. This view was the basis for the original WPA programs of the thirties and is similarly at the heart of the two most recent welfare reform proposals submitted to the Congress by the Carter administration.

The Program for Better Jobs and Income, proposed in 1977, would have provided a government-created job or training opportunity, paying at least the minimum wage, to an employable adult who could not find work in the private sector in every needy family that included a child under the age of 18.[31] A more recent proposal continues the guaranteed employment or training opportunity concept but requires participants to seek unsubsidized jobs at prescribed intervals. The plan is currently being tested by 12 CETA prime sponsors as part of the Employment Opportunities Pilot Program.[32]

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[31] See "An Employment Approach to Welfare Reform: The Program for Better Jobs and Income," in the 1978 Employment and Training Report of the President, pp. 132-136.

[32] 1980 Employment and Training Report of the President, pp. 41-42.

PSE programs of this kind are subject to the same questions concerning substitution and inflation as other PSE efforts, of course, and, in addition, are much more likely to be challenged by those who oppose any Federal intervention into the labor market. Moreover, the tremendous expense involved in mounting such programs on a national scale makes them unlikely candidates for use in a period of fiscal restraint unless other welfare program costs are offset.

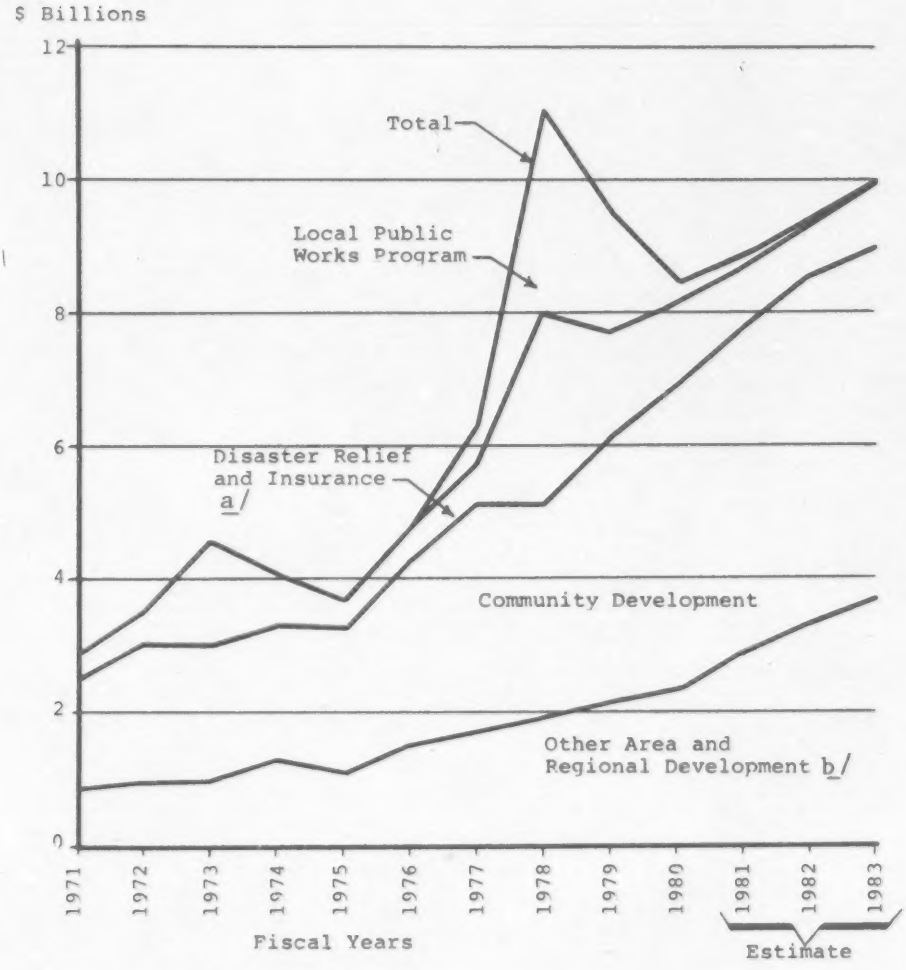
Some very preliminary impressions from the 12 welfare reform demonstration sites suggest that new eligibility rules, including taking part in job search and other program activities, will reduce the welfare rolls. This conforms to ample historical evidence that some people do leave welfare as the program is made more burdensome. The problem is to develop the right mix of sanctions and benefits without unduly restricting the work choices of the poor.

2. Public Works

Public works programs, like PSE, are subject to the same basic conflicts over whether or not the Federal Government should or can intervene in an effective and timely manner to mitigate economic fluctuations. For minor economic downturns, monetary policy or some less costly employment program is thought to be a more appropriate governmental response, but for protracted and deep recessions there are arguments in favor of public works. Chart E depicts the total outlays for Federal community and regional development efforts, including local public works programs, over the past decade. A particular attraction is that public works have the potential for providing needed employment while producing schools, hospitals, highways, flood control projects, and other capital improvements that may not otherwise be constructed in local areas. Moreover, expenditures for public works can be targeted to areas of particularly heavy unemployment and also have a substantial multiplier effect. They are especially welcome, for example, in one-industry localities (e.g., steel towns in the Northeast) where complete economic devastation may have followed in the wake of a single plant closure.

Unless such projects are carefully planned ahead of time, however, they may not be available when needed or, worse, may be so hastily mounted that they are inefficient and wasteful. Some evidence indicates that the timing is, in fact, the opposite of what is needed. Moreover, in general, public works programs do not have the same kinds of flexibility enjoyed by other employment programs so that what may begin as a purely countercyclical undertaking turns into an expensive policy of long-range spending. Furthermore, the places where public works projects would be most useful to the Nation in the long run do not

Chart E. Outlays for Community and Regional Development, Fiscal Years 1971-1983 (est.) ($ in billions)



a/ Includes the area and regional development subfunction less the local public works program.

b/ The increase in 1973 and 1974 is due to Hurricane Agnes. The increase in 1978 and 1979 is due to the severe winter and floods.

SOURCE: U.S. Office of Management and Budget.

necessarily coincide with the areas of greatest unemployment. Flood control and reclamation efforts accomplish very little for unemployed automobile or steel industry workers residing in urban areas. Indeed, public construction efforts do not always require the same kinds of skills that are available from among the pool of unemployed workers and, thus, they may inadvertently create employment only at the cost of disrupting the private construction industry. Finally, unskilled workers may not be helped at all by these efforts.[33]

Despite the acknowledged shortcomings of such programs, however, Federal grants to State and local governments for local public works projects totaled $1.7 billion in fiscal 1979 and Federal outlays for all civil public works and construction amounted to over $26 billion.[34] (See Table 5.) Although by no means all of these expenditures were tied directly to employment and training programs, the public works concept is an integral part of several ongoing programs that serve particular disadvantaged groups.

The Youth Community Conservation and Improvement Projects (YCCIP) program, for example, expended $60.5 million in fiscal 1978 and $103.4 million in fiscal 1979 to provide jobs for unemployed youth, 16 to 19 years of age, in locally developed projects that address community needs. Projects include rehabilitation or improvement of public facilities, weatherization and repair of low-income housing, and other energy conservation efforts.[35] Conservation projects are also a staple of both the Job Corps and the Young Adult Conservation Corps, authorized under titles IV and VIII of CETA, just as they are for the Senior Community Service Employment Program for older workers residing in rural areas.

Even though studies of YCCIP and other youth demonstration programs are not yet completed, and no sizeable postprogram employment or earnings gains for participants in these and similar programs can be demonstrated, there are certain benefits that accrue beyond an income transfer. The value to local communities of the improvements made and the noneconomic benefits to

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[33]See Julius W. Allen, "Public Works As an Anti-Recession Measure: Arguments Pro and Con," mimeographed (Washington, D.C.: U.S. Library of Congress, Legislative Reference Service, 1958).

[34]The Budget of the United States-FY 1981, p. 215.

[35]1980 Employment and Training Report of the President, pp. 35, 83-84.

the individual in terms of heightened self-esteem can be cited as outcomes that favor continuation of such programs. However, whether the costs and benefits favor long-term public investment is an issue that is still unsettled and that has been clouded by debates over methods for determining benefits.[36]

B. Hiring Incentives for the Private Sector

Although in some cases the Federal Government may choose to create jobs for certain groups of unskilled or otherwise hard-to-place individuals in PSE or public works programs, in other cases it may prefer to use hiring incentives such as wage subsidies or tax credits to stimulate private employers to accept and train these workers.

Direct wage subsidies have seldom been used by the Government because of historic and continued opposition from organized labor. On-the-job training (discussed below under skill training), which defrays "extra" training costs to employers who hire the disadvantaged, may act as a covert form of wage subsidy since the calculation of extra costs is usually based on a percentage of the wage paid and the value of the extra services provided is not usually subject to audit.

Recently, efforts to persuade employers to hire more disadvantaged workers have taken the form of tax credit programs. Four programs of this kind were enacted in the 1970's, and three of them are still available to employers.

The first of these was designed to boost employer participation in the Work Incentive (WIN) program, which seeks to help eligible recipients of Aid to Families with Dependent Children (AFDC) move off the welfare rolls and into permanent, unsubsidized jobs. To this end, the Revenue Act of 1971 permitted employers to claim a special WIN credit on their Federal income taxes amounting to 20 percent of the wages paid to WIN registrants during their first year of employment.[37] Employers

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[36] See, for example, the discussion on Job Corps "Benefit-Cost Estimates" in the 1979 Employment and Training Report of the President, p. 174.

[37] U.S., Department of Labor, Employment and Training Highlights, Consumer Information Leaflet No. USDL-(ETA-23), January 1979, "Employment Tax Credits." See also Laura Perlman, "Targeted Jobs Tax Credit: How It Works," reprinted from ETA Review (Washington, D.C.: U.S. Department of Labor, Employment and Training Administration, June 1979), 3 pp.

failed to take advantage of this credit in significant numbers, however, perhaps due to a lack of knowledge about the program or the stigma attached to welfare recipients generally.

Hence, in 1975, the Tax Reduction Act broadened the original concept by permitting employers to claim a 20 percent welfare tax credit for employing anyone who had been on AFDC continuously for at least 90 days prior to the date of hire. The object was to find out whether offering a wider choice of eligible workers and allowing credit for short-term employment and household work (not permitted under the WIN credit) would induce more employers to hire AFDC recipients.[38] A demonstration project established in four major cities indicated that, even with an intensive public information campaign to acquaint prospective employers with both the WIN and welfare tax credits, they again did not take advantage of the tax credit in as large numbers as had been hoped.[39] Nevertheless, the welfare credit was later extended, and the requirements of both credits were eased somewhat.

Under the terms of the Revenue Act of 1978, employers in trade or business can now claim a WIN or welfare tax credit equal to half of the first $6,000 in wages for the first year of employment and a quarter of such wages for the second year. Employers of household workers can also claim a WIN or welfare credit amounting to 35 percent of wages for the first year, up to $2,100 for each worker paid $6,000 or more. However, there is a credit ceiling of $4,200 on $12,000 in wages paid, and no credit is allowed for the second year of work.[40]

The New Jobs Credit, which was enacted in 1977 as a countercyclical employment device, broadened the tax credit concept even further by placing no restrictions on the kinds of workers employers had to hire (except that a special credit was offered for handicapped workers). Employers received credits for their total wage bill in excess of 102 percent of the prior year up to a maximum limit. Like the earlier tax credits, this one (discussed in more detail in the preceding staff paper) was

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[38]/Ibid.

[39]/1977 Employment and Training Report of the President, p. 62.

[40]/Perlman, "Targeted Jobs Tax Credit."

designed to reduce unemployment by providing an incentive for firms to increase their hiring.

The Targeted Job Tax Credit (TJTC) superseded the New Jobs Tax Credit. Authorized by the Revenue Act of 1978, it offers the same benefits to trade or business employers as the WIN and welfare credits (i.e., as much as half the wages paid to each worker paid $6,000 or more for the first year of employment and a quarter of their wages for the second year), but the list of eligibles is broader.[41] Either the Job Service or participating community agencies determine the eligibility of a job applicant as a member of a targeted group (a procedure referred to as "vouchering"), and, once that individual has been hired, the Job Service issues a certification that documents the employer's claim for a tax credit.[42]

Although TJTC was promoted widely in support of the Private Sector Initiative Program (PSIP), operating under title VII of the 1978 CETA Amendments, serious delays in getting PSIP underway adversely affected the early usage of the tax credit program by employers. From its inception in 1978 through September 1980, about 616,900 individuals had obtained Job Service vouchers attesting to their eligibility, and about 305,700 (50 percent) certifications had been issued for persons who had actually obtained jobs.[43]

The advantage of tax credit programs such as those described is that to the extent that they can overcome the resistance of employers to those workers who face severe employment barriers, they enable hard-to-employ persons to gain a foothold in jobs

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[41] The list includes recipients of Supplemental Security Income, handicapped persons referred from vocational rehabilitation programs, youth 18 through 24 from economically disadvantaged families, Vietnam-era veterans who are economically disadvantaged, recipients of general assistance (State or locally financed welfare) for 30 or more days, youth 16 through 18 years of age participating in approved cooperative education programs, and ex-offenders convicted of a felony who are economically disadvantaged and hired within 5 years of release from prison or date of conviction, whichever is later.

[42] 1980 Employment and Training Report of the President, p. 62.

[43] Source of data: U.S. Department of Labor, Employment and Training Administration, Office of Administration and Management (OAM).

that might otherwise be closed to them. On the other hand, there is no accurate way to gauge how much substitution of tax-credit eligible workers for experienced, more highly paid workers may occur (particularly in low-skill occupations), and, more to the point, there is no effective way to prevent it from happening.

One study of the New Jobs Credit as it applied to the construction and retail industries found evidence of positive job creation and price reduction effects as a result of the program,[44], but the first report from an ongoing longitudinal study on the implementation of the Targeted Jobs Tax Credit did not find that "TJTC was responsible for the creation of any new jobs." Moreover, the jobs that were being certified were "mainly low-pay, low-status, no-growth, high turnover positions in the secondary labor market."[45] (For further discussion of these programs within the context of overall economic and tax policies, see the preceding staff paper in this volume.)

It would, therefore, appear that the reluctance of employers so far to make use of available wage credits on a broad scale, combined with at least tentative evidence that some of the jobs being certified are dead end and low paying, leaves open to question their reliability as a device to promote employment for the disadvantaged. Administrative difficulties in implementing the program have exacerbated the problem. Nevertheless, the fact that tax credits can open up the job market to persons who would not otherwise be employed warrants further study to determine how programs of this type might be improved and made more attractive to private sector employers while at the same time guarding against abuse and maximizing their value for employees.

C. Employability Development Assistance

Programs that work on the supply side, rather than the demand side, of the labor market include those that are designed to help make persons more employable by increasing their skills for performing work and/or obtaining employment.

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[44] John Bishop, The Potential of Wage Subsidies (Madison, Wisconsin: Institute of Research on Poverty, UW-Madison for the U.S. Department of Labor, Employment and Training Administration, 1980).

[45] The Implementation of the Targeted Jobs Tax Credit, Report No. 1 (Columbus, Ohio: The Ohio State University, Mershon Center for the U.S. Department of Labor, Employment and Training Administration, July 1980).

1. Skill Training

A vast range of activities and programs are included under the heading of skill training. Generally, two kinds of learning --classroom (institutional) instruction or on-the-job training (OJT)--are involved, although some programs such as apprenticeship may employ both techniques either at once or in sequence.

The ARA, which in 1961 brought a return to the public works strategy for assisting economically depressed regions of the country, at the same time introduced the concept of federally financed occupational training in order to ensure that a qualified work force would be available to businesses that chose to expand or relocate to these areas. Enrollees in training programs were paid subsistence allowances equal to the average weekly unemployment compensation payment for a maximum period of 16 weeks.[46]

The following year (1962), the Manpower Development and Training Act (MDTA) expanded on the concept of federally subsidized training by authorizing up to 52 weeks of skill training, either on-the-job or in classrooms, for qualified applicants. Originally, eligibility was limited to unemployed or underemployed adult family heads with a past history of 3 years in the labor force because automation and its tendency to leave skills outdated were thought to be the primary threat to jobs. However, the expanding training budget was soon diverted to serve minorities and the economically disadvantaged (particularly youth) who lacked the basic skills to qualify for even entry-level jobs.[47]

Because of its early emphasis on upgrading and retraining adult workers, MDTA originally consisted mainly of classroom training. In 1966, an amendment to the act established a goal of placing 50 percent of all MDTA trainees in on-the-job training slots. The trend continued in the following year (1967), when a Job Opportunities in the Business Sector (JOBS) program was announced and the MDTA-OJT program was terminated except for national contracts.

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[46] Clague and Kramer, Manpower Policies and Programs, pp. 11-13. Sar A. Levitan, Federal Aid to Depressed Areas: An Evaluation of the Area Redevelopment Administration (Baltimore: The Johns Hopkins Press, 1964).

[47] Garth L. Mangum, MDTA: Foundation of Federal Manpower Policy (Baltimore: The Johns Hopkins Press, 1968); Clague and Kramer, Manpower Policies and Programs, pp. 13-14.

The JOBS program was administered by the Department of Labor in conjunction with the National Alliance of Business (NAB), a nonprofit organization created to encourage employer participation in the effort and to provide assistance to participating firms in developing and implementing training programs. What remained of the MDTA-OJT program was formally merged with JOBS in 1971, upon the creaton of the JOBS-Optional program.

When CETA was enacted in 1973, OJT and institutional training were among the options available to prime sponsors in the development of local programs authorized under title I, (subsequently reauthorized as title II in 1978). Presently, under the amended CETA, title II-B contains the primary authorization for OJT and institutional training, although a small amount of both forms of training also occurs under titles II-D and VI (the "PSE titles"). By law, II-B programs are targeted to economically disadvantaged persons who have been unemployed 15 of the last 20 weeks or who are receiving (or are part of a family that receives) welfare benefits. As a reminder of MDTA's original intent, title II-C of CETA (added during the 1978 reauthorization process) provides for the upgrading or retraining of persons (without regard to economic status) in entry-level positions or positions that lack advancement potential.

In fiscal 1979, some 156,000 persons participated in OJT programs authorized under title II, parts B and C, and among them, 569,400 persons received classroom training. This represented about 14 and 51 percent, respectively, of all title II-B and C program enrollments. (Unfortunately, the current DOL reporting system does not differentiate between activities under parts B and C).

Skill training (OJT and classroom) is also part of the mix of services available to especially disadvantaged groups under CETA title III, to youths involved in programs suited to their special needs as authorized by CETA titles IV and VIII, to AFDC recipients served through the Work Incentive program, and to others involved in federally sponsored employment and training programs.

a. <u>On-the-Job Training.</u>

For both enrollees and employers, on-the-job training has important advantages. The enrollees are placed on the job immediately, are paid a regular wage rather than the stipend obtained for participation in classroom training, and are able to see at once the relevance of what they are learning for the

job they are in. For their part, employers can count on immediate production from the person hired, the cost of any waste or special training is defrayed by the Government in federally supported programs, and, in tight labor markets, entry-level positions can easily be filled by well-motivated individuals who are equal or superior to those otherwise available.[48]

In terms of earnings gains, a major goal of all government-sponsored training, OJT has also proven to be a superior form of training. A recent (1980) review of five studies that examined OJT postprogram earnings data found that the estimates of impact on participant earnings in the year after participation were on the order of $600. The range of estimates varied considerably, however, from some reductions in earnings to gains that exceeded $2,000.[49]

The positive nature of these results is corroborated by preliminary findings reported in an NCEP staff paper that examined earnings derived from MDTA institutional training and JOBS on-the-job training. The author found that OJT produced large and sustained earnings gains for women and men, whites and blacks, although there were variations by sex and race and according to the period in which posttraining earnings occurred as the result of different economic conditions.[50]

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[48]See Sar A. Levitan, Garth L. Mangum, and Ray Marshall, Human Resources and Labor Markets: Labor and Manpower in the American Economy (New York: Harper and Row, Publishers, 1972), pp. 187-89.

[49]Michael E. Borus, "Assessing the Impact of Training Programs," Employing the Unemployed, pp. 32-35. This study reviewed many of the same evaluations considered in an earlier impact survey--Charles Perry et al., The Impact of Government Manpower Programs (1975)--with generally the same conclusions.

[50]Howard S. Bloom, "The Long-Term Effect of Employment and Training Programs," NCEP Staff Paper (Washington, D.C.: NCEP, September 1980), p. 15. The paper focuses specifically on findings from two evaluations: Orley Ashenfelter's 1978 longitudinal study of classroom training provided through MDTA and Nicholas Kiefer's 1979 longitudinal study of four major Federal employment and training programs (JOBS, MDTA institutional, Job Corps, and Neighborhood Youth Corps). Data from the Continuous Longitudinal Manpower Survey (CLMS) of CETA programs for adults are being examined separately.

More recent data on CETA programs from the first report of the CLMS net earnings study indicate an average net earnings gain of $700 a year for OJT participants who entered the program during the first half of 1975 (about $1,000 for the low earners and $500 for high earners).[51] In a second review of the disaggregated data, low earners gained an average of $830 in earnings per enrollee in 1976 compared with a $250 gain for higher earners. As in earlier studies, there were variations by race and sex. In general, for both high and low earners, females appeared to do better than males, and minorities did better than nonminorities, except that among low earners, minority females achieved the smallest gains.[52] So far, there is no adequate explanation for such differences, although they may reflect different program selection criteria. Thus, the preponderance of evidence suggests that OJT is an effective training device that produces substantial postprogram earnings gains for participants, although the magnitude varies by race and sex.

Despite its many advantages, however, OJT is not entirely without cost to employers and is not suitable to all forms of training. Moreover, as experience has shown, employer participation in OJT programs generally follows the business cycle, rising when business conditions are favorable, but falling again when there is a downturn in the economy. An evaluation of the JOBS program, for example, found that it was quite successful in lowering hiring standards by adding "social and institutional pressure to that exerted by the tight labor market" so that female and minority group participants, in particular, were able to enter jobs in the primary labor market that were previously closed to them. Unfortunately, over the long run, many of these gains proved transitory as economic conditions soured in the late 1960's and the maxim "last hired, first fired" came into play. Whether, however, the program's early successes were able to induce permanent changes in the labor market behavior of both participating employers and disadvantaged workers is a question that has never been clearly answered.[53]

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[51] Westat, Inc., CLMS, The Impact of CETA on Participant Earnings, Working Paper No. 1, p. 7.

[52] Westat, Inc., CLMS, The Impact of CETA on Participant Earnings, Working Paper No. 2, pp. 3:33-35.

[53] Charles R. Perry, "Job Opportunities in the Business Sector," The Impact of Government Manpower Programs, pp. 200-201.

Certainly, OJT has never become the preponderant form of training in Federal programs. Throughout the life of MDTA, despite its congressionally mandated reorientation to OJT in 1966, only roughly one-third of enrollments were in that activity.[54] Similarly, just 14 percent of the enrollments under CETA title II-B and C programs in fiscal 1979 were in OJT--a decline of 2 percentage points from the previous year.[55]

Government red tape is frequently blamed for the reluctance of employers to participate in these programs even under tight labor market conditions, but an unwillingness to accept low-skilled or otherwise disadvantaged workers when labor becomes more plentiful is also a factor. Indeed, it was the reluctance of employers to take on these "less-desirable" workers that led to the development of national OJT contracts as a supplement to and substitute for local agreements under MDTA in 1964.[56]

Yet, the fact that OJT has proven itself to be an effective strategy for assisting disadvantaged and minority workers to breach existing barriers to the primary labor market, together with data indicating that earnings gains are substantial following participation in OJT, argues forcefully for the development of further strategies that will attract private employers to accept more OJT contracts in all economic climates.

The Private Sector Initiative Program (PSIP), a 2-year demonstration authorized under title VII of CETA, as amended in 1978, is one such strategy. The specific objectives of the program are:

- To increase private sector employment and training opportunities for CETA participants;
- To establish Private Industry Councils (PICs)[57] to work with CETA prime sponsors to plan training and placement activities directed toward private sector employers.

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[54]/Charles R. Perry, "Manpower Development and Training Act," in ibid., p. 151.

[55]/1980 Employment and Training Report of the President, p. 24.

[56]/Perry, "MDTA," The Impact of Government Manpower Programs, p. 151.

[57]/Membership on the PICs consists of representatives from business and industry (about two-thirds of the total according to preliminary information), organized labor, community-based organizations, educational agencies and institutions, and, on some PICs, apprenticeship agencies and/or employee committees.

- To provide a vehicle for redirecting CETA's current emphasis on subsidized public service employment toward methods for finding private sector jobs for the unemployed.

Although PSIP was to have gotten underway immediately after enactment of CETA Amendments in October 1978, funding delays and other startup problems disrupted first-year efforts.[58] As of the end of fiscal 1980, all prime sponsors had established Private Industry Councils, and a number of innovative approaches to encouraging private employer involvement were being undertaken. Both the National Alliance of Business (NAB) and the AFL-CIO's Human Resources Development Institute (HRDI) have contracts with the Department of Labor to support PSIP activities, and the Targeted Jobs Tax Credit is being used as an additional device to attract employer participation in CETA programs. Because of the early delays in implementation, however, the results of this demonstration are not fully known.

b. Institutional Training

Another major component of skill training and a basic tool of human capital investment is institutional, or classroom, training. About two-thirds of all enrollees in MDTA programs received classroom instruction during the life of that program, and, in fiscal 1979 under CETA, just over half (51 percent) of the participants in title II-B and C programs were enrolled in institutional training, a 4-percentage-point increase over fiscal 1978.[59]

Evaluation literature for MDTA suggests that the earnings of participants increased by approximately $300 to $400 in the year following the program. Of the 12 studies reviewed in one recent impact study, only two showed increases of less than $100 for male or female trainees.[60] The size of women's earnings gains was usually superior to men's, but only, apparently, because many of the female trainees were not active in the labor market prior to training. Minorities also tended to fare less

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[58]For more information on the PSIP experiment, see the 1980 Employment and Training Report of the President, pp. 39-41, 174, and A Formative Evaluation of the Private Sector Initiative Program, Report No. 3 (Columbus, Ohio: The Ohio State University Research Foundation, January 1980).

[59]Perry, "MDTA," The Impact of Government Manpower Programs, p. 151 and 1980 Employment and Training Report of the President, p. 24.

[60]Borus, "Assessing the Impact of Training Programs," Employing the Unemployed, p. 32.

well than whites as a result of classroom training, according to available studies.[61]

While classroom instruction has produced positive results for participants, its relative effectiveness as a training device compared with OJT can still be questioned. Preliminary data from an ongoing Commission study of the long-term effect of employment and training programs indicate that white women fare best in OJT; black women, in classroom training. White men do equally well in either activity, while for black men the results are too statistically unreliable to support any conclusions.[62] The CLMS net earnings data (subject to the methodological reservations cited earlier) show that classroom training under CETA achieves modest gains in annual earnings ($100 average) for adult participants compared with PSE ($200) and OJT ($700), but is superior to work experience, which left enrollees lagging nearly $200 behind the comparison group in 1976 earnings.[63]

A second CLMS review of program effects for enrollees who entered in the first half of 1975 found that low earners before program entry benefited far more from classroom training than high earners, however. The former increased their comparative earnings by an average of over $250 in the year after training, while among the latter group an actual decrease in earnings occurred in relation to the comparison group, although there were variations among the high earnings category itself. Black males suffered from the greatest earnings shortfall ($780), while both white males and minority females experienced a net earnings gain ($176 and $168, respectively) in 1976. White females lost almost $100 in relation to their comparative group.[64] Clearly, then, although classroom training appears to be a generally useful form of skill training, it is not uniformly effective for all participants.

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[61]/Perry, "MDTA," The Impact of Government Manpower Programs, p. 163.

[62]/See Bloom, "The Long-Term Effect of Employment and Training Programs," p. 15. This review focused only on Orley Ashenfelter's 1978 longitudinal study of MDTA and Nicholas Kiefer's 1979 longitudinal study of four major programs, including MDTA and JOBS.

[63]/Westat, Inc., CLMS, The Impact of CETA on Participant Earnings, Working Paper No. 1, p. 6.

[64]/Westat, Inc., CLMS, The Impact of CETA on Participant Earnings, Working Paper No. 2, pp. 3:32-36.

Most institutional training in employment and training programs is delivered through the vocational education system, operated through State governments. The Commission is currently engaged in a major review of vocational education programs in preparation for congressional hearings on vocational education reauthorization that are planned for 1981. Issues of equity and efficiency are being examined, and attention is being directed to the manner in which CETA and vocational education programs are linked at the State and local levels.

The Commission's Fifth Annual Report, Expanding Employment Opportunities for Disadvantaged Youth, contained a preliminary review of evaluation literature concerning vocational education. The report notes that recent studies have found little, if any, relationship between labor market success and vocational training for school-age youth, especially young men. Female students fare better in being more likely to finish high school and to have higher hourly wages and higher annual earnings than their counterparts from general programs. These results, however, are particularly related to the acquisition of clerical skills, which is further associated with occupational segregation and generally low lifetime earnings.65/ The Commission's forthcoming staff report on vocational education will consider its effectiveness both for youth and for adults engaged in postsecondary training.

The theory behind most skill training is that individuals can acquire job skills that will increase their attractiveness to employers. It also assumes that planners are able to identify the occupations in which shortages exist or are likely to occur in the future so that those who are trained can expect to find employment upon satisfactory completion of their instruction. The Commission is currently studying the reliability of existing occupational projection techniques. An assessment of these techniques will be part of its summer report on vocational education.

Presumably, the work of the PICs (described above) will also support efforts to relate training to actual employer needs since, as members of Private Industry Councils, business and

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65/National Commission for Employment Policy, Fifth Annual Report, Expanding Employment Opportunities for Disadvantaged Youth (Washington, D.C.: NCEP, 1979), pp. 112-14. Much of the data cited was derived from a major work by John T. Grasso and John R. Shea, Vocational Education and Training: Impact on Youth (Berkeley: The Carnegie Council on Policy Studies in Higher Education, 1979).

industry representatives will be working closely with CETA prime sponsors to advise them on what training is appropriate for their local areas.

To sum up, classroom training can be a valuable technique for transmitting needed skills, but whether it can be counted on to produce desired results for all groups under all circumstances is open to question.

c. Apprenticeship

An early hybrid form of training that includes both classroom instruction and hands-on learning is apprenticeship. Currently, there are some 415 apprenticeable trades.

Under the National Apprenticeship (Fitzgerald) Act of 1937, unions and employers determine their own requirements and administer their own training programs within the framework of basic standards laid down by the BAT or approved State apprenticeship agencies. If apprenticeship programs meet basic standards established by either BAT or State Apprenticeship Councils (SACs), they are registered, and persons who successfully complete the training are given certificates of completion.

The training period ranges from 1 to 6 years depending upon the degree of skill involved, with most trades requiring from 3 to 4 years of instruction. While they train on the job, apprentices are paid at progressive wage rates, starting at about half the journeylevel rate up to 95 percent of full pay near the end of the apprenticeship period. Those who complete the entire program are usually among the highest paid skilled workers.[66]

Related technical instruction is given in local vocational schools and junior colleges, and in some cases, home study courses may also be utilized. Provisions of the Smith-Hughes (1917) and George-Barden (1946) Vocational Acts, as well as the Vocational Education Act of 1963, have permitted States with approved apprenticeship programs to receive partial reimbursement from Federal funds for salaries of teachers and vocational administrators involved in these efforts.[67]

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[66] Levitan, Mangum, and Marshall, Human Resources and Labor Markets, pp. 173-76; U.S. Department of Labor Program Highlights, Consumer Leaflet No. USDL-15 (ETA-11), "Apprenticeship," November 1975, Rev. February 1977.

[67] Levitan, Mangum, and Marshall, Human Resources and Labor Markets, p. 175.

Data for 1978 (the latest available) indicate that 395,000 registered apprentices received training, an increase of 33,000 over the previous year. More than 50,000 apprentices completed required training and were certified as craftsworkers, while another 131,000 were newly indentured (i.e., formally accepted as apprentices).[68]

Critics of apprenticeship programs question whether formal training of this kind is really necessary for many occupations and whether admission standards and procedures may not act as barriers to minorities and women.[69] Data for 1978 reveal that the proportion of registered apprentices who are racial or ethnic minorities is approximately 18.2 percent of the total, and they represent about 18.4 percent of those who are newly entering these programs. For women, the proportions are 3.1 percent and 4.3 percent, respectively.[70]

In response to criticism about the limited representation of women and minorities in apprenticeship, BAT in recent years has taken steps to expand training opportunities for these and other neglected groups. A 5-year program and management plan, developed by BAT for 1980-84, targets for special outreach activities economically disadvantaged persons, welfare recipients, ex-offenders, and the handicapped, as well as women and minorities.[71]

To this end, efforts have been made to acquaint CETA prime sponsors and local WIN administrators with apprenticeship opportunities that exist in local communities; new programs have been developed and registered in military installations and Federal correctional institutions for men and women; and publicity campaigns have been mounted to alert women to the training programs that are available in nontraditional occupations.[72]

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[68]/1980 Employment and Training Report of the President, p. 56.

[69]/An NCEP report on "Women in Federal Employment and Training Programs," scheduled for publication early in 1981, considers the effect of age limitations on female participation in apprenticeship.

[70]/1980 Employment and Training Report of the President, p. 56.

[71]/Ibid., p. 55.

[72]/Ibid., pp. 56-57.

One particularly effective approach is provided by the Targeted Outreach Program (TOP), established in the late 1960's and currently operating in more than 100 cities nationwide. Now funded under CETA, title III, section 301, the TOP--formerly known as the Apprenticeship Outreach Program--seeks to help minorities and women overcome barriers to employment in the skilled construction trades and in other highly skilled occupations through recruitment, counseling, tutoring, referral, and supportive services. Project sponsors include the National Urban League, RTP, Inc., the AFL-CIO's Human Resources Development Institute, the United Auto Workers, and some 14 other organizations.[73]

Although no nationwide evaluation has ever been conducted, a 1975 review of what evaluation literature and program data does exist found that the program (then the Apprenticeship Outreach Program) had "provided assistance to minority youths in securing entrance to construction trades in more than token numbers" and had helped them to "gain entrance to the apprenticeship programs which are harder to quality for and from which they had previously been excluded, such as those in the electrical and mechanical trades." The evaluations also found evidence of "significant changes in the employment and earnings of the program participants."[74] In fiscal 1979, some 14,600 persons were placed through the program: 7,300 in skilled construction trades, 6,500 in other skilled occupations, and 800 in unskilled jobs.[75]

Although equality of opportunity requires that registered apprenticeship programs be available to the widest spectrum of groups possible, it should not be forgotten that such programs currently meet only a small proportion of the Nation's manpower needs (some 50,500 apprentices completed training in all trades in 1978 compared with 449,500 placements from CETA title I programs alone in fiscal 1979). For this reason apprenticeship must be considered only one of many tools available in designing an effective employment policy.

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[73]/Ibid., p. 29.

[74]/Stephen A. Schneider, "Apprenticeship Outreach Program," The Impact of Government Manpower Programs, p. 251.

[75]/1980 Employment and Training Report of the President, p. 29.

2. Job Search Assistance

Some programs help persons acquire the skills they need to compete effectively in the labor market; others aim to make the labor market operate more efficiently by helping to pair jobseekers with appropriate job openings in the shortest possible time. Activities of the latter kind encompass: job development, counseling, aptitude testing, instruction in proper job search and interview techniques, employer services (job definition, screening, recruitment), job matching, area labor market analysis, dissemination of labor market information (including occupational projections), relocation of unemployed workers, and other placement assistance.

Since the 1930's, the primary deliverer of publicly supported job search assistance has been the U.S. Employment Service or ES (also known as the Job Service), which operates through affiliated State agencies and 2,600 local offices nationwide.[76] In addition to serving as a public labor exchange, the Job Service administers work tests for a variety of welfare programs, certifies eligibility of job applicants for tax credit programs, recruits applicants for work and training programs, certifies the need for alien workers, operates apprenticeship information centers, and carries out other functions designed to increase employment.[77]

Although any individual legally qualified to work in the United States is entitled to the services available from the Job Service without charge, some groups of applicants have been identified as needing individualized attention and intensive services. These special applicant groups (veterans who by law receive first preference in all referrals, women, the handicapped, the poor, cash welfare or food stamp recipients, the young, the old, minorities, dislocated workers, and migrant and seasonal farmworkers) are the focus of a large proportion of Job Service activities.

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[76] The Wagner-Peyser Act of 1933 established a public labor exchange to help men, women, and youth secure gainful employment at no charge to them. Community-based organizations, welfare offices, schools, vocational rehabilitation centers, CETA sponsors, and many other public agencies also offer some assistance of this kind, however.

[77] For a discussion of Job Service activities, see the 1980 Employment and Training Report of the President, pp. 57-66, and the 1977 Employment and Training Report of the President, pp. 71-87.

In recent years, the Job Service has received sharp criticism from employers and applicants alike. Many employers deserted the system in the 1960's, when policy directed that the Job Service concentrate its efforts on placement of the poor and disadvantaged. Conversely, applicants charged it was not responsive to their needs and had become too "employer-oriented."

Although the Job Service has been in operation continuously for almost 50 years, some critics have begun to question the value of no-fee job-search assistance, particularly when most people find jobs through informal networks of friends or relatives.[78] For the disadvantaged and others who may lack access to informal networks, however, the Job Service may be the only labor market intermediary available to them. In fiscal 1979, 1.5 million economically disadvantaged persons were placed through the Job Service nationwide--34 percent of all those from that group who registered at local Job Service offices, who in turn represented 28 percent of all new and renewal applicants during the year.[79] Table 6 shows placement activity for other special applicant groups as well.

No evidence is currently available on the net effects of Job Service assistance, although in 1979 the Department of Labor awarded a contract to a private firm for a 32-month study that would estimate the net impact of USES (Job Service) labor exchange activities on applicants and employers who use its services to fill job vacancies.[80]

In the absence of reliable cost-benefit data, placements have become the chief measure of performance, and operating funds are distributed to States according to a formula that heavily emphasizes placement rates. The stress on this measure of service, however, provided no incentive for the Job Service to develop other ways of helping people get jobs. Presently, a placement can be counted only when ES refers an applicant to an

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[78] In response to a congressional mandate in the 1978 CETA Amendments (sec. 5 (a)), the Department of Labor recently submitted a report to the Congress that contained suggested improvements for activities conducted under the Wagner-Peyser Act.

[79] "Job Service Highlights--Fiscal Year 1979," unpublished (U.S. Department of Labor, U.S. Employment Service, Office of Program Review, December 1979).

[80] 1980 Employment and Training Report of the President, p. 66.

Table 6. Job Service New and Renewal Applicants Placed in Jobs, by Identifying Characteristic, Fiscal Year 1979 (amounts in thousands)

Individuals, by Identifying Characteristic a/	New and Renewal Applicants	Placed in Jobs	
		Number	Percent of Group Total
Total	15,525	4,537	29.2
Total veterans	2,243	705	31.4
Disabled veterans	132	45	34.1
Vietnam-era veterans	880	294	33.4
Migrant and seasonal farmworkers	156	79	50.6
Economically disadvantaged	4,328	1,477	34.1
Minority	4,647	1,476	31.8
Minority youth	1,601	672	50.0
Older workers (45 and over)	1,971	389	19.7
Summer youth	740	469	63.4
Women	7,161	1,928	26.9
Youth (under 22)	5,102	1,981	38.8
UI claimants	3,351	665	19.8
Food Stamp recipients	1,317	209	15.9
WIN participants	775	194	25.0
Other welfare recipients	562	187	33.3
Handicapped	782	212	27.1
CETA applicants	607	443	73.0
Job-attached applicants	348	41	11.8

a/ Individual applicants may be counted in more than one group.

SOURCE: U.S. Department of Labor, Employment and Training Administration, U.S. Employment Service

employer who has listed a specific job with it and that applicant is then hired for that job. The Job Service receives no credit for helping applicants understand how to find the vast majority of jobs that are not listed with it.[81]

One recent development in job search assistance that has not yet been adopted by the Job Service may hold considerable promise. Systematic instruction in job search techniques as a member of a group is a device that emerged during the 1970's under various titles (e.g., the Job-Finding Club) and has generally resulted in high job placement rates for participants. The theory behind the program is that there are specific, teachable skills that can help in finding a job and that these skills are most effectively taught in a group setting, which provides support and structure for the participants.

Core elements of the technique include: Instruction in the basic skills of job seeking and job development such as telephone skills, resumé preparation, interviewing techniques and behavior; full-time supervision and daily participation of enrollees in group "peer" setting; and assignment of responsibility for self-assessment and job development to the participant. Some hybrid forms of the program may also include work experience and instruction in basic reading and mathematics skills.

Group job search activities are currently included in WIN programs in about 40 States and in the 12 welfare reform demonstration projects operated by CETA prime sponsors nationwide. Some CETA sponsors are also using these methods to increase transition from PSE to unsubsidized employment.

Although the Job Service has not yet adopted this technique as its own, it is testing other job search strategies that may increase it effectiveness. For example, the Job Search and Relocation Assistance Pilot Project is being conducted at 18 sites in eight southern States to test the feasibility of making such assistance a regular part of ES services. The project provides several kinds of relocation assistance to job-ready applicants who are unable to find employment in their home area and who are interested in relocating to obtain jobs. Other experiments include a School-to-Work Transition Services Demonstration Project at six sites, which is testing ways to make transition from school to work progress more smoothly; a pilot Job Information Service (JIS) for economically disadvantaged

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[81] See 1977 Employment and Training Report of the President, p. 87.

high school juniors and seniors at six schools; and an Early Warning System Pilot Project that will develop a worker displacement reporting system to alert State Job Service agencies in time to provide needed services where layoffs have already occurred or are likely to happen.[82]

Even with these and other attempts to increase effectiveness, however, it must be acknowledged that there is tremendous variation among States in the level of productivity per staff year. Direct funding supports about 30,000 staff years in all State agencies, a staff level that has remained essentially unchanged for a decade. The most productive States accomplish twice the placements per staff year as the least productive. Undoubtedly some of the variation can be attributed to differences in economic conditions, though differences in management skills and commitment are also factors.

Although the Job Service is the major publicly financed job search assistance effort, there are some others currently in operation. The Career Information Systems (CIS) Grants Program, for example, began in the 1970's as a demonstration effort and is now operating in the eight original grant States and one other under State or local funding. Geared primarily (but not exclusively) to the needs of youth who may have little knowledge about occupational requirements, the program uses a multimedia approach to provide career information. CIS has been selected as a standard design concept by the National Occupational Information Coordination Committee (NOICC), an interagency committee composed of officials from the Departments of Labor and Education who are responsible for coordinating and improving Federal, State, and local efforts to improve occupational and related information.[83]

As the preceding discussion of several job search assistance efforts should indicate, there is great variation in the kinds of services available to job applicants, as well as in the efficiency with which they operate. The use of some promising techniques like job-finding clubs is on the horizon, although their long-term impact has yet to be evaluated. This is clearly an area that deserves further attention as part of any effort to improve the functioning of the labor market.

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[82]/1980 Employment and Training Report of the President, p. 66.

[83]/The 1980 Employment and Training Report of the President, p. 86. See also National Occupational Information Coordination Committee, A Framework for Developing an Occupational Information System (Washington, D.C.: NOICC, October 1979). The establishment of NOICC was mandated by the Education Amendments of 1976, P.L. 94-482, title II, Vocational Education, section 161(b)(1) and (b)(2).

D. Adjustment Assistance

Adjustment assistance is not a program strategy per se, but rather a coupling of job search assistance, previously discussed, with cash assistance and relocation allowances for worker groups whose unemployment has been designated a matter of national concern. The original Manpower Development and Training Act of 1962 was drafted in response to a perceived need to assist workers with a recognized attachment to the labor force, who were adversely affected by automation. MDTA was expected to offer these "dislocated" workers the opportunity to acquire new skills that would permit them to reenter the labor market as productive and valued employees. In the 1970's, the issue of dislocated workers again came to the fore as growing numbers of persons lost their jobs because of changing technology, foreign competition, international trade policies, energy prices, the closure of military installations, actions taken in response to environmental concerns, or some other factor that was beyond their control. This time the Federal response included monetary compensation along with other types of employment assistance.

For example, under the Trade Adjustment Assistance (TAA) program, from April 1975 to September 30, 1980, some $2.4 billion in allowance payments were made to about 1,038,500 workers who were separated from their employment as a result of foreign import competition. The amount of these payments has increased dramatically in recent years. In fiscal 1980 alone, $1.6 billion in allowances (two-thirds of the total) were paid to 530,000 workers. In addition to weekly trade readjustment allowances, persons who are found qualified for this program receive other help, including testing, counseling, job search assistance, placement, supportive services, and reimbursement for relocation and training costs. The allowances and services are provided through State Employment Security Agencies after the Department of Labor has determined eligibility for assistance in response to a petition filed by workers adversely affected by foreign import competition.[84]

Programs to help workers dislocated for other reasons than trade have also been enacted. Among the most generous is the Redwood Employee Protection program, authorized by title II of the Redwood National Park Expansion Act of 1978 (Public Law

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[84] 1979 Employment and Training Report of the President, p. 61.

95-250). To those workers who lost their jobs because of the park expansion, the act provides for layoff and vacation replacement benefits, severance pay, training, job search allowances, and relocation allowances. Also provided are the retention and accrual of seniority, pension rights and credits, and continuing entitlement to health and welfare benefits. The weekly benefits in this program are intended to be equal to the amount of take-home pay that the worker received while working and are payable for weeks of unemployment after May 31, 1977, to the date the worker receives a severance payment, or for a period equal to the worker's creditable service, or until the worker's 65th birthday, but in no case beyond September 30, 1984. Through September 30, 1980, the total amount of all benefits paid was $23.8 million.[85]

Another effort similar to the Redwood Employee Protection program went into effect in October 1978 for employees of air carriers who were adversely affected by government deregulation. The Airline Deregulation Act of 1978 (Public Law 95-504) authorizes monthly assistance payments (subject to available appropriations) to employees who are affected by a "qualifying dislocation," as determined by the Civil Aeronautics Board (CAB). If the CAB finds dislocations, payments may be made available to eligible former employees for a maximum of 6 years. Additional benefits include relocation allowances and first right of hire for jobs available in the occupational specialty offered by any other certified air carrier hiring additional employees for a period of 10 years after an involuntary termination or furlough for any reason other than cause.[86]

Still other adjustment assistance programs are currently authorized under the Public Works and Economic Development Act, the Urban Mass Transportation Act, and the Regional Rail Reorganization Act, while comparable legislation in other fields is under consideration by the Congress. With the growing public awareness of problems within the auto industry and many older industries such as steel beginning to feel the pinch from more productive foreign competition, it is likely that there will be more proposals of this kind before the Congress soon.

Since available research indicates that a majority of the people who receive trade adjustment assistance return rather quickly to their previous employers, the program may be providing benefits to persons who are really seasonally unemployed rather than permanently dislocated. Moreover, in the two major

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[85] 1980 Employment and Training Report of the President, pp. 67-68.

[86] Ibid., p. 67.

studies that have been done on TAA, most participants were steel and auto workers who, because they were also eligible for supplemental unemployment benefits provided for in union agreements, sometimes experienced a net wage replacement rate of 135 percent or more--an obvious disincentive to look for or take another job. Another finding from these studies was that training and relocation allowances were very much underutilized and, in the latter case, those who were helped to move to other areas often returned to their original homes. The reasons for these findings have not yet been determined.87/

Given the expectation that adjustment assistance programs are likely to become even more prominent during the 1980's, it is clear that greater attention should be directed to determining both the need for and the effectiveness of such efforts. First, is there a problem that requires Government intervention? Does such intervention at the same time discourage needed labor force adjustments? Can we afford programs of this nature? Assuming that there are to be such programs, what can be done to make them more effective? More specifically,

- Who should be eligible? What weight should be given to age, seniority, income and asset tests, duration of unemployment, and willingness to relocate, be trained, or accept alternative employment, and, if the last, at what wage?

- Where should programs operate? What weight should be given to the availability of other employment in the area or to area unemployment rates generally?

- Should there be special cash benefits? How should benefit amounts and duration of eligibility be established?

- If there is to be job training or job creation, who should deliver it? Can the CETA system work successfully with an older client group that may not be disadvantaged? If so, should the group be segregated from the other participants in some fashion?

87/Walter Corson, Walter Nicholson, et al., Final Report: Survey of Trade Adjustment Assistance Recipients (Princeton, New Jersey: Mathematica Research, 1979) and U.S., General Accounting Office, Targeting Trade Adjustment Benefits Only to Import-Affected Workers Who Cannot Find a Job Could Save Millions (Washington, D.C.: U.S. Government Printing Office, 1979).

- Should adjustment aid continue to be reactive (as it is now) to particular events or become more generally available?

These questions will need to be answered as the demand for adjustment assistance grows.

E. Alternative Work Schedules

In an effort to open up the labor market to more groups, especially single parents with child care responsibilities or older workers who prefer a part-time schedule, the Federal Government in recent years has supported experiments in alternative work schedules. Flexitime, part-time work, compressed workweeks, and job-sharing arrangements are among the nontraditional employment opportunities that have been tried.[88]

Under the provisions of the Federal Employees' Flexible and Compressed Work Schedules Act of 1978 and the Federal Employees Part-time Career Employment Act of 1978, Federal agencies are required to set annual goals for establishing part-time jobs and are authorized to experiment with flexible work schedules, including compressed workweeks. Title I of CETA, as amended in 1978, requires that in all programs under the act, special consideration shall be given to alternative working arrangements such as flexible hours of work, work-sharing arrangements, and part-time jobs.[89]

CETA also authorizes the Secretary of Labor to undertake research on the applicability of job sharing, work sharing, and other flexible hours arrangements in various settings and the effort that would be required to assist employers in their implementation. Several demonstration projects are presently underway, and, for the most part, they appear to have resulted in improved employee morale, lowered absentee rates, and increased job opportunities, although in the case of the compressed workweek, fatigue, stress, and other social and psychological effects resulted for some individuals.[90]

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[88]For a review of the various arrangements that might be considered, see "Worktime: The Traditional Workweek and Its Alternatives," in 1979 Employment and Training Report of the President, pp. 75-92.

[89]Ibid., p. 91.

[90]See, e.g., ibid. and Employment and Training Evaluation Report - 1979 (Washington, D.C.: U.S. Department of Labor, 1979), pp. 15 and 43.

The National Commission for Manpower Policy held a conference on work time and employment decisions in Washington, D.C. in October 1978. The conferees, although generally in agreement with the desirability of further voluntary experimentation with more flexible hours of work, concluded that legislation mandating these experiments was neither necessary nor desirable since the needs of both employers and employees are far too diverse to fit a standard pattern. The conferees also suggested that the present unemployment insurance system be examined to explore the feasibility of benefit payments during periods of work time reductions as an alternative to complete layoffs.[91]

In sum, the alternative work schedule constitutes one relatively new device for improving the labor market that appears to hold considerable promise. It is still too new to offer final judgments about its utility.

F. Other Strategies

Special efforts to increase the hiring of the structurally unemployed in Federal contracts, usually by targeting awards insofar as possible to high unemployment areas, have been tried periodically but without noticeable success. Attempts to ensure minimum levels of hiring of the disadvantaged in Federal grant or other economic development programs was another device, developed during the 1960's, that has fallen into disuse.

However, a similar employment strategy is embodied in the Vietnam Era Veterans' Readjustment Assistance Acts of 1972 and 1974, which require firms holding contracts or subcontracts with the Federal Government for $10,000 or more to take affirmative action to employ and promote in employment qualified disabled veterans of all wars and veterans of the Vietnam era. To assist them in their efforts, the firms are also required to list with their local employment service office all existing bona fide job openings that occur during the performance of the contract.[92]

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[91]For a summary of invited papers and conference discussions, see Work Time and Employment, A Special Report of the National Commission for Manpower Policy, Special Report No. 28 (Washington, D.C.: National Commission for Manpower Policy, October 1978). A recent preliminary analysis of data for California suggests that the compensation program, enacted to prevent layoffs after the passage of Proposition 13 has worked well. See Fred Best and James Mattesich, "Short-time Compensation Systems in California and Europe," Monthly Labor Review, July 1980, pp. 13-22.

[92]See "Veterans Services in 1979," 1980 Employment and Training Report of the President, p. 111.

The Federal Government's activity in support of equal employment opportunity (EEO) laws may also be considered an effort to open the labor market to as many groups as possible. The Department of Labor, for example, in 1980 created a Special Assistant to the Secretary for Civil Rights to oversee the enforcement of nondiscrimination requirements in all programs receiving assistance from the Department of Labor. To ensure that CETA participants have the widest possible employment and training opportunities, for example, equal opportunity (EO) staff at all administrative levels of the Department are required to monitor the performance of prime sponsors.93/

Most recently, the White House Interagency Coordinating Committee developed a network of interagency agreements that include the Departments of Labor, Transportation, Housing and Urban Development, Commerce (Economic Development Administration), Agriculture (Farmers Home Administration), and the Small Business and Community Services Administrations. Under the Employment Initiatives Program, as this cooperative arrangement is called, local governments or private sector recipients of economic and community development grants join with a CETA prime sponsor in the area to recruit economically disadvantaged persons for the jobs resulting from these activities. Five of the Federal agencies participating (EDA, HUD, CSA, DOT, and FmHA) have established hiring goals for CETA eligibles, ranging from 10 to 25 percent, after determining how many of the jobs created by programs under their administration could be directed to this group. Although the program appears to hold promise, it is too early to judge its effectiveness. Similar interagency efforts have been established to focus on local weatherization efforts and rural development.94/

93/See "CETA Fraud and Abuse Prevention," Special Report F, in ibid., pp. 201-202.

94/Ibid., pp. 43-49. See also Crawford and Jusenius, "Economic Development Policies to Reduce Structural Unemployment."

IV. TARGET GROUPS

The preceding section on program strategies included some consideration of variations in program outcomes for men and women, minorities, and other identifiable target groups that have participated in Federal work and training programs over the past two decades. It may be tempting on this basis to compare the various program strategies and to arrive at conclusions about which are "best" for meeting the needs of particular groups.

At least one program evaluator cautions against this type of comparison, however, because program outcome data are far too mixed and inconclusive to provide the basis for such group-specific strategies. Michael Borus notes that "individuals assigned to programs vary markedly in their characteristics, due to both the program and self-selection." Moreover, an individual with the same general characteristics (e.g., a white male with a high school education) "may differ noticeably from a person with those same three characteristics examined in another study." Based on his own analysis of available evaluation data, Borus concludes "that the evidence to date does not indicate that training is more appropriate for one group than for another."[1/]

With that as a caveat, the following discussion will focus on selected target groups served by Federal work and training programs since the 1960's and, in particular, CETA. For general reference, Table 7 provides characteristics data for participants in CETA and earlier programs, while Table 8 offers information on the total number of CETA participants who terminated from the program and who entered employment in fiscal 1979.

A. Dislocated Workers

It is appropriate to consider dislocated workers first since the original Manpower Development and Training Act of 1962 was drafted in response to the needs of this group. As previously discussed, adjustment assistance programs now comprise the major Federal effort on behalf of dislocated workers.

Nevertheless, other assistance is provided in the form of upgrading and retraining. Among the more recent upgrading efforts, the Skill Training Improvement Program (STIP), a part of President Carter's 1977 Economic Stimulus Package, has served over 50,000 persons nationwide. Some $325 million was

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1/Borus, "Assessing the Impact of Training Programs," Employing the Unemployed, pp. 36-37.

Table 7. Characteristics of Participants, FY 1974 Manpower Programs, FY 1974 PEP Programs, and CETA Titles II B/C, II D, and VI for Selected Fiscal Years

/Percent/

Characteristic	Manpower programs FY 1974	PEP programs FY 1974	CETA Title I/II B-C			CETA Title II/II-D			CETA Title VI		
			FY 1975	FY 1977	FY 1979	FY 1975	FY 1977	FY 1979	FY 1975	FY 1977	FY 1979
U.S. Total	549,700	66,200	1,126,000	1,449,400	1,194,400	227,100	336,200	459,800	157,000	575,500	790,900
Percent	100	100	100	100	100	100	100	100	100	100	100
Sex:											
Male	58	66	54	52	47	66	60	52	70	64	57
Female	42	34	46	48	53	34	40	48	30	36	43
Age:											
Under 22 years	63	23	62	52	48	24	20	23	21	20	22
22 to 44 years	31	67	32	41	45	63	64	63	65	65	63
45 years and over	6	11	6	8	7	13	16	15	14	15	15
Years of School:											
8 years or less	15	23	13	10	--	10	7	--	8	8	--
9 to 11 years	51		48	40	19	18	15	2	18	19	2
12 years and over	34	77	39	50	52	72	78	72	74	73	71
High school dropout	--	--	--	--	29	--	--	26	--	--	27
AFDC	23	10	16	16	18	7	6	13	6	10	12
Public Assistance			11	10	8	9	8	8	8	8	7
Economically disadvantaged a/	87	34	77	78	90/71 b/	48	49	86/68 b/	44	67	86/63 b/
Race/Ethnic Group:											
White	55	69	55	57	51	65	71	55	71	66	54
Black	37	23	39	35	33	22	23	29	23	26	30
Other	8	8	6	8	3	13	6	3	6	8	3
Hispanic	--	--	--	--	13	--	--	13	--	--	12
Spanish Speaking (estimated)	15	13	13	14	--	16	14	--	13	12	--
Limited English Speaking Ability	--	--	4	5	5	8	3	5	5	3	4
Migrant or seasonal farm family member	--	--	2	2	1	1	2	1	1	1	1

Table 7. Characteristics of Participants, FY 1974 Manpower Programs, FY 1974 PEP Programs, and CETA Titles II B/C, II D, and VI for Selected Fiscal Years - CONTINUED

/Percent/

Characteristic	Manpower programs FY 1974	PEP programs FY 1974	CETA Title I/II B-C			CETA Title II/II D			CETA Title VI		
			FY 1975	FY 1977	FY 1979	FY 1975	FY 1977	FY 1979	FY 1975	FY 1977	FY 1979
Veteran:	--	--	--	--	9	--	--	16	--	--	17
Recently separated	INA	INA	INA	4	--	INA	5	--	--	7	--
Special c/	} 15	} 39	} 5	3	1	} 11	7	3	} 13	7	3
Vietnam era d/				--	4		10	6		--	6
Other			4	4	1	13	--	1	15	12	1
Handicapped	INA	INA	4	4	7	3	3	5	3	4	5
Offender	INA	INA	6	7	8	3	3	5	3	4	5
Labor Force Status:											
Unemployed	76 f/	90	62	74	77	84	74	82	88	81	91
Underemployed	9 f/	10	5	5	4	8	5	2	6	3	2
Other e/	16 f/	--	33	21	19	8	21	16	6	16	7
Receiving Unemployment Insurance	5	7	4	7	5	12	15	11	15	16	12

a/ Prior to 1978, the definition of economically disadvantaged used to determine eligibility for CETA and most other manpower programs was based, in part, on the participant's being a member of a family whose annual income in relation to family size and location did not exceed the most recently established poverty levels as determined by the Office of Management and Budget (formerly Bureau of the Budget). The current determination is based on either the poverty level or 70 percent of the Bureau of Labor Statistics lower living standard income level--whichever is higher.

b/ The second number shown is the proportion of persons who met only the OMB poverty criteria.

c/ Served in Indochinese or Korean theater of operations between August 1964 and May 1975.

d/ Served between Aug. 5, 1964, and May 7, 1975, and are under age 35.

e/ Employed or not in the labor force.

f/ Excludes NYC in-school and JOBS enrollees for whom data were not available.

SOURCE: U.S. Department of Labor, Employment and Training Administration, Office of Administration and Management.

Table 8. Characteristics of Participants, Total Terminations, and Persons Entering Employment, CETA Titles II B/C, II D, and VI, Fiscal 1979

/Percent/

Characteristic	Total Participants			Total Terminations			Entered Employment		
	Title II B/C	Title II D	Title VI	Title II B/C	Title II D	Title VI	Title II B/C	Title II D	Title VI
U.S. Total	1,194,400	459,800	790,900	874,500	220,200	521,300	387,600	93,200	145,800
Percent	100	100	100	100	100	100	100	100	100
Sex: Male	47	52	57	48	54	59	51	53	58
Female	53	48	43	52	46	41	49	47	42
Age:									
Under 22 years	48	23	22	48	23	22	37	19	20
22 to 44 years	45	63	63	45	63	64	55	67	67
45 to 54 years	4	9	9	4	8	8	5	9	9
55 years and over	3	6	6	3	6	6	3	5	4
Education:									
High school student	19	2	2	19	2	2	5	1	1
High school dropout	29	26	27	29	24	27	30	19	21
High school graduate equivalent	39	44	42	39	44	42	48	46	44
Post-high-school attendance	13	28	29	13	30	29	17	34	34
Economic status:									
AFDC recipient	18	13	12	17	12	11	12	10	10
Public Assistance recipient	8	8	7	7	7	6	5	5	5
OMB poverty level a/	71	68	63	70	64	65	69	60	64
71-85 percent BLS lower living standard b/	1	1	1	1	f/	f/	1	f/	f/
Above 85 percent lower living standard	1	1	1	1	1	1	1	1	1
Economically disadvantaged c/	90	86	86	88	83	85	84	77	82

Table 8. Characteristics of Participants, Total Terminations, and Persons Entering Employment, CETA Titles II B/C, II D, and VI, Fiscal 1979 - CONTINUED

/Percent/

Characteristic	Total Participants			Total Terminations			Entered Employment		
	Title II B/C	Title II D	Title VI	Title II B/C	Title II D	Title VI	Title II B/C	Title II D	Title VI
Race/ethnic group:									
White (not Hispanic)	51	55	54	50	62	60	54	68	66
Black (not Hispanic)	33	29	30	33	26	28	28	22	24
Hispanic	13	13	12	13	9	9	14	8	8
American Indian or Alaskan Native	2	1	2	2	2	2	1	1	1
Other	3	2	1	2	1	1	3	1	1
Limited English-speaking ability	5	5	4	5	3	4	5	2	2
Migrant or seasonal farm family member	1	1	1	1	1	1	1	1	1
Handicapped	7	5	5	6	5	5	6	4	4
Offender	8	5	5	8	5	5	8	3	4
UI claimant	5	11	12	5	11	11	6	12	13
Veteran status:									
Veteran	9	16	17	9	17	17	11	18	19
Vietnam-era d/	4	6	6	4	6	6	5	6	7
Special e/	1	3	3	1	3	3	2	3	3
Special disabled	1	1	1	f/	1	1	1	1	1

a/ In 1978, the poverty level for a nonfarm family of four established by the Office of Management and Budget was $6,662.

b/ The Bureau of Labor Statistics (BLS) lower living standard income level for a nonfarm family of four in 1978 was $11,546.

c/ A person who receives or is a member of a family that (a) receives cash welfare payments or (b) has a total family income (for the 6-month period prior to program application) that, in relation to family size and location, does not exceed the most recently established poverty levels determined with criteria established by OMB or 70 percent of the BLS lower living standard income level, whichever is higher.

d/ Served between Aug. 5, 1964, and May 7, 1975, and are under age 35.

e/ Served in Indochinese or Korean theater of operations between August 1964 and May 1975.

f/ Less than 0.5 percent.

SOURCE: U.S. Department of Labor, Employment and Training Administration, Office of Administration and Management.

made available for STIP in 1977 and 1978 to provide funds to selected CETA prime sponsors in order to establish advanced skill training programs in the private sector for long-term unemployed, underemployed, and low-income persons. Although no additional funds have subsequently been allocated for the program, many prime sponsors have replicated the programs that they developed for STIP as part of their title VII, Private Sector Initiative Programs, with funds authorized for that title.[2]

An evaluation of STIP has found that representatives of the business community (individually and as members of STIP oversight committees) were involved by prime sponsors early in the planning process and were permitted to help select occupations for training, design curricula, select staff, and monitor actual operations. In nearly all of the sample sites, private sector organizations were also involved directly in the provision of training. As a result, the evaluators found that STIP was readily accepted by employers, and contacts were established for the subsequent placement of those who completed the program.

A review of STIP enrollee characteristics led the evaluators to observe that the private sector cooperated willingly with the CETA venture and accepted the existing applicant pool, while selecting the most promising individuals from it. Based on these and other observations, the evaluators concluded for the program as a whole that it provided one basis for involving the private sector more productively in CETA programs.[3]

Upgrading and retraining programs are also operated by CETA prime sponsors under the authority provided in title II, part C, of the amended CETA. Unfortunately, information about these programs is virtually nonexistent because the Management Information System (MIS) currently in use by the Department of Labor does not require sponsors to distinguish between activity under titles II-B and C.

Title II-B offers training and employment services for the economically disadvantaged. Title II-C authorizes upgrading

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[2]/1980 Employment and Training Report of the President, p. 42.

[3]/Ibid., pp. 174-75. See also Abt Associates, Inc., STIP I: CETA and the Private Sector, Implementation Experience of Selected Projects (Cambridge, Massachusetts: Abt Associates, Inc., September 1979).

and retraining for persons, without regard to economic qualifications, who are "operating at less than their full skill potential, primarily those in entry-level positions or positions with little advancement potential" or who "have previously received a bona fide notice of impending layoff, and who are are determined . . . to have little opportunity to be reemployed in the same or equivalent occupation or skill level within the labor market area." Characteristics data and other program information on placements, etc., are collected for title II-B and C together, without any distinction made between the subtitles--thereby creating a problem for future program evaluators who may be interested in determining the specific outcome of upgrading and retraining activities under title II-C.

B. Economically Disadvantaged

With the exception of the Public Employment Program (PEP), its successor Temporary Employment Assistance (TEA) program under title VI of CETA, and a few specialized efforts that serve particular population subgroups, most work and training programs since the 1960's have been directed specifically to serving the economically disadvantaged.

In 1978, CETA reauthorization amendments targeted most CETA resources to economically disadvantaged persons, except for the upgrading and retraining programs authorized by title II-C and a few special youth programs. Applicants for other CETA programs (including title VI for the first time) must meet eligibility criteria based on both income and employment status. Under title II-D, for example, PSE opportunities are limited to economically disadvantaged persons who have been unemployed 15 of the last 20 weeks or who receive, or are members of families that receive, public assistance. Under title VI, PSE is earmarked for unemployed persons who have been unemployed 10 of the last 12 weeks immediately prior to program application and whose family income is at or below the Bureau of Labor Statistics' lower living standard budget, or who received (or are members of families that received) public assistance 10 of the last 12 weeks immediately prior to application.[4/]

A final report from an evaluation of changes in the CETA PSE programs brought about by the 1978 Amendments indicates that sponsors moved fairly rapidly to implement the new requirements. However, the report also noted that many sponsors were having difficulty meeting restrictive wage levels, parti-

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4/See 1980 Employment and Training Report of the President, pp. 20-21.

cularly in areas where most wages are high, and, in some cases, found it hard to develop jobs requiring the level of skill possessed by disadvantaged applicants who now make up the majority of persons eligible for PSE positions.[5/] Clearly, the reduction of substitution has costs as well as benefits. Disadvantaged and unskilled persons are harder to move into jobs in either the public or private sector.

While published characteristics data for fiscal 1979 (see Table 6) might appear to indicate a sharp upswing in the proportion of economically disadvantaged persons served in the three major CETA programs authorized under titles II-B and C, II-D, and VI, such a conclusion would be incorrect. Comparisons with earlier years are misleading (if not specious), because, in addition to the other changes introduced by the 1978 CETA Amendments, the definition of economically disadvantaged was modified in such a way as to greatly expand the number of persons who qualify.

Prior to 1978, most work and training programs were earmarked for poor persons who either received welfare payments or whose income did not exceed the poverty level appropriate to the size and location of the family, determined in accordance wih criteria established by the Office of Management and Budget. After 1978, the definition of economically disadvantaged was amended to include those who meet either the OMB poverty level criterion or have income equal to 70 percent of the Bureau of Labor Statistics lower living standard income level, whichever is higher. For a nonfarm family of four in 1978, the OMB poverty level was $6,662 and the BLS lower living standard income level was $11,546. Seventy percent of the latter is equal to $8,082. Since the BLS criterion is higher than the OMB poverty level, clearly more persons would be counted as part of the economically disadvantaged category under the new definition.

Equally clear is the fact that comparisons of the proportion of economically disadvantaged persons served in CETA programs before and after 1978 or comparisons of CETA programs after 1978 with pre-CETA programs are flawed by the inconsistent definitions. As evidence of the disparity, the second number shown for fiscal year 1979 in Table F indicates the proportion of participants who met only the OMB poverty level criterion. Using this number as the basis of comparison, one sees that the proportion of poor, or economically disadvantaged (old definition) persons in CETA title I (IIB/C) programs has actually declined since fiscal 1977 (from 78 percent in fiscal 1977 down

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5/Mirengoff et al., The New CETA, pp. 5-9, and 1980 Employment and Training Report of the President, p. 173.

to 71 percent in fiscal 1979).[6/]

The 1979 figure also represents a 16-percentage-point drop from the proportion of economically disadvantaged persons served by pre-CETA manpower programs in fiscal 1974. CETA title VI programs experienced a slight decline in the proportion of economically disadvantaged enrollees from 1977 to 1979, although CETA title II-D programs increased their representation of this group even when the old definition is applied. Thus, clearly any comparisons of participant data over time must take into account the definitional change that occurred if they are to be an accurate representation of the services provided to this particular target group.

C. Race and Ethnic Groups

A similar problem of data comparison exists for racial and ethnic groups. Until fiscal 1979, persons of Hispanic origin were included among black, white, and other races--leading to some problems when prime sponsors like Puerto Rico declined to report racial data. A separate category (often estimated) for Spanish-speaking persons served as a rough proxy for the Hispanic group.

In fiscal 1979, for the first time, Hispanics (who make up from 12 to 14 percent of most programs) were recorded as a separate ethnic category. While this is useful information for program planners and others interested in tracking participation of Hispanic groups in CETA, the change in definition after 1978 poses difficulties for program analysts who may wish to compare participant information over time.

The current reporting system now records information for five groups: white (not Hispanic), black (not Hispanic), Hispanic, American Indian or Alaskan native, and other. As the Indochinese and other refugee groups become more prominent in the labor market, it may be that these five categories will need to be expanded.

[6/] Note that upgrading and retraining activities for which there are no specific economic eligibility criteria are mixed in with data for title II-B programs serving the disadvantaged. This has an unknown effect on the proportion not meeting the OMB poverty level in title II-B and C and could be one explanation for the observed decline.

Concerning the central question of whether employment and training programs have helped minorities, a recent analysis of available evaluation evidence for pre-CETA programs has concluded that those offering skill training (both OJT and classroom) had a beneficial impact on earnings as did the Apprentice Outreach Program (AOP).[7/] (See also preceding discussions of individual program strategies.) Blacks (particularly black women) experienced larger gains in hourly earnings over their pretraining level than did whites, although blacks continued to earn less than whites after training. Incomplete information for MDTA, AOP, Job Corps, WIN, and NAB/JOBS suggests that some minorities gained access to more stable, better-paying jobs as a result of their participation in these programs, but the magnitude of any benefits cannot be determined in the absence of carefully designed information systems that would permit postprogram evaluation.

One study found negligible posttraining earnings gains for blacks in WIN programs designed to improve job search skills but significant gains from subsidized employment. However, the gains for whites were nearly double those for blacks, regardless of sex, for the program generally. Similar racial differences appeared in an evaluation of the Job Corps. Preliminary analysis of CETA data seems to indicate that black and white males have increased their earnings after training at about the same rates, but conclusive findings await more information about participants in relation to comparison groups. The National Supported-Work Demonstration, which used random control groups, found no significant increases in postprogram earnings or employment effects among youth, most of whom were members of minority groups.

The major conclusion from this review of available literature is that evaluations need to be strengthened by the use of control groups and the adoption of a longitudinal perspective. Findings for specific employment and training programs are too mixed to permit definitive statements about the degree of help they provided to minorities.

D. Women

The Commission is presently completing a major report on Federal efforts to improve the labor market status of disadvantaged women, one of two priority agenda items included

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7/ The following discussion is based on an analysis by Bernard E. Anderson, "How Much Did the Programs Help Minorities and Youth?" in Employing the Unemployed, esp. pp. 52-57.

in its 1980 work plan. In the course of its study of that issue, particular attention was directed to the status of women in Federal employment and training programs. Publication of the full report is planned for early 1981.

Whether or not the training in CETA or other Federal programs is leading to high-paying jobs in occupations that are not traditionally female and what steps could be taken to provide more equitable service for women in these programs are among the topics to be explored in the forthcoming Commission report. In view of this, little will be said here about women as a target group except to note that female participation in CETA programs has increased dramatically since fiscal year 1975 (Table F) so that under title II-B and C women as a group are now over half (53 percent) of all participants. Their proportion is somewhat smaller for titles II-D and VI, but the rate of increase has been more dramatic, with jumps of 14 and 13 percentage points, respectively, from fiscal 1975 to fiscal 1979.

E. Youth

For nearly every age group, there is a problem with the labor market. For youth, it may be getting the first job and the opportunity to begin a productive worklife.

The Commission's Fifth Annual Report offered an analysis of youth's experience in the labor market and in programs designed to serve their education and employment needs, as well as recommendations for legislative and policy changes. Many of the Commission's legislative recommendations were contained in the proposed "Youth Act of 1980," which would have combined instruction in basic reading and math skills with a program of training, work experience, labor market information, and other employment services to disadvantaged young people between the ages of 14 and 21.

Chart F depicts the overall growth in resources allotted to youth programs during the 1970's by both the Department of Labor and the Department (formerly Office) of Education. The Youth Education and Demonstration Projects Act of 1977 (Public Law 95-93) created four new programs for disadvantaged youth,[8/] later included under titles IV and VIII of the amended CETA, and provided additional funds for a series of research studies

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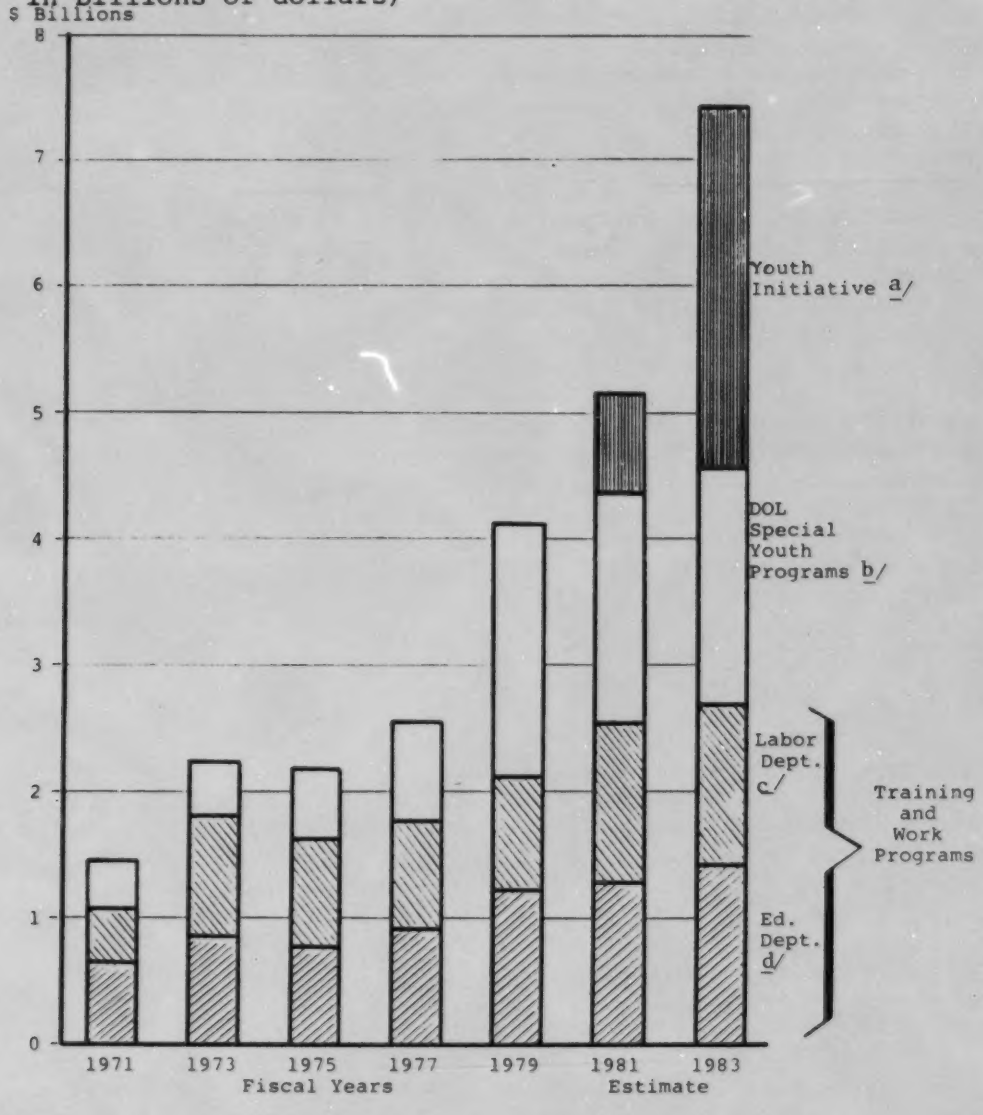
8/ Youth Employment and Training Programs, Youth Community Conservation and Improvement Projects, Youth Incentive Entitlement Pilot Projects (all under title IV) and the Young Adult Conservation Corps (title VIII).

Chart F. Outlays (Planned and Actual) for Youth Training and Employment Programs, Fiscal Years 1971 - 1983 (amounts in billions of dollars)



a/ Includes outlays under new authority from both labor and education components of the proposed youth education, training, and employment initiative.

b/ Includes Job Corps, Summer Youth Employment Program, and four other programs originally authorized by the Youth Employment and Demonstration Projects Act (CETA Titles IV and VIII). Excludes in 1981-1983 spending under new authority in programs planned for consolidation in the youth initiative: Youth Employment and Training Programs, Youth Community Conservation and Improvement Projects; and Youth Initiatives Entitlement Pilot Projects.

c/ Includes youth share of Economic Opportunity Act and Manpower Development and Training Act programs (1971-1972), Comprehensive Employment and Training Act general grants; Private Sector Initiative Program (CETA Title VII); and tax expenditures under the Targeted Jobs Tax Credit program.

d/ Includes college work-study and vocational education outlays. Prior to April 1, 1980, these programs were administered by the Department of Health, Education, and Welfare.

SOURCE: U.S., Office of Management and Budget.

and demonstration projects for which findings are only now becoming available.[9] The youth initiative proposed by the Carter administration would have increased the amount of Federal outlays for youth programs to nearly $7.5 billion by fiscal 1983. Chart F includes these proposed expenditures, although the Youth Bill was not enacted and is unlikely to be revived by the 97th Congress.

F. Veterans

By law, veterans are given preference in all job referrals by the Job Service, and they have been singled out for special attention under CETA and other work and training programs, as well.[10]

Over 2.3 million veterans (including over 950,850 Vietnam-era veterans)[11] filed new and renewal job applications with local Job Service offices in fiscal 1980, and 583,950 (255,560 Vietnam-era) veterans were placed in jobs. The Veterans Employment Service (VES), under the Deputy Assistant Secretary for Veterans' Employment in the Department of Labor, stations field staff in all States, the District of Columbia, and Puerto Rico to monitor and evaluate the services provided by Job Service local offices and CETA prime sponsors.

Local Veterans' Employment Representatives (LVER'S) conduct outreach and public information programs that advise veterans of their rights and benefits and inform employers of their obligations, as well as the benefits that can accrue from hiring veterans. The Disabled Veterans Outreach Program (DVOP), a special activity begun as part of the President's economic stimulus program in 1977, aids in this general effort, as do Apprenticeship Information Centers and other outreach programs run by the Job Service.

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[9] For a review of some of these studies and projects, see the chapter entitled "Youth Training and Employment: New Initiatives for the Eighties," in the 1980 Employment and Training Report of the President, pp. 73-93.

[10] For a full accounting of the kinds of services provided to the Nation's veterans, see the 1980 Employment and Training Report of the President, pp. 97-128.

[11] Vietnam-era veterans are those who served between August 5, 1964, and May 7, 1975, and are under age 35.

Ancillary to these recruitment efforts are a number of programs that aim to increase the number of jobs that are available to veterans. For example, under the Federal Contractor Job Listing (FCJL) program,[12] firms holding Federal contracts of $10,000 or more are required to list with the local Job Service agency all bona fide job openings that occur during the performance of their contracts. The Job Service is, in turn, required to provide priority referral of qualified, eligible, disabled and Vietnam-era veterans to those openings. In fiscal 1980, 102,000 eligible veterans were placed in jobs listed under the FCJL program.

Economically disadvantaged Vietnam-era veterans are also among the target groups identified for the Targeted Jobs Tax Credit (TJTC) program, which provides a tax credit to employers for hiring specified applicant groups. Several thousand of these veterans have been hired by employers since the start of the program in April 1979 after they first received vouchers of their eligibility for the program by the Job Service.

A third effort, Help Through Industry Retraining and Employment (HIRE), was a 2-year, $140 million veterans' employment program, launched in September 1977 as another part of the President's economic stimulus effort. Under both HIRE-I (a nationwide program administered by the Labor Department's national office) and HIRE-II (a community-level effort administered by local CETA prime sponsors), private sector employers were offered reimbursement from CETA funds for extra costs related to the hiring and training of unemployed disabled and Vietnam-era veterans. Although implementation of HIRE-I was delayed for some time and many employers proved reluctant to accept a reimbursable contract that required them to bring the participants into their regular work force after training, over 50,000 veterans were eventually employed under the two phases of this program.

Veterans are also singled out for special attention under work and training programs. In January 1977, the Secretary of Labor proposed as a national goal, the employment of veterans in 35 percent of the 415,000 new public service jobs funded under titles II and VI of CETA as part of the Economic Stimulus Appropriations Act of 1977. The 1978 reauthorizaton amendments further required the Secretary of Labor to make a special effort to increase the participation of qualified disabled and Vietnam-era veterans, with particular emphasis on those who served in the Armed Forces in Indochina or Korea, or adjacent waters, on or after August 5, 1964, and on or before May 7, 1975 (thereafter known as "special" veterans).

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[12] Formerly known as Mandatory Job Listing.

Despite these goals, in fiscal 1980, the proportion of veterans participating in CETA programs totaled around 8 percent under title II-B and C; 15 percent under title II-D; and 16 percent under title VI. Vietnam-era veterans comprised from 4 to 6 percent of the total, while "special" disabled veterans represented barely 1 percent of participants in each of the three programs, which enroll most of the eligible veterans who receive services under CETA.

References to veterans as a single category tends to obscure the fact that there are a number of variations in unemployment rates among veterans in different age categories that may have a bearing on future employment policies. For older veterans, the special problems associated with being out of the civilian labor force for a period of time in service to the country seem to be abating. The fiscal 1979 jobless rate for veterans age 25 to 39 (3.9 percent) was virtually the same as that of their nonveteran counterparts (3.8 percent). Vietnam-era veterans, who by virtue of their definitional 35-year age limit are a shrinking population, also showed a 3.9 percent unemployment rate in 1979. Only in the 25- to 29-year-old age group was the Vietnam-era veterans' unemployment rate above that for nonveterans (5.9 versus 4.5 percent).

However, for young (age 20 to 24) veterans, especially black and other minorities, unemployment problems remain acute. The unemployment rate for young veterans in fiscal 1979 ranged from 21.4 percent for black and other minorities to 9.9 percent for whites, while for their nonveteran counterparts the rates were 16.4 percent and 6.6 percent, respectively.

There are, then, very serious unemployment problems associated with the youngest age group that do not seem to be responding to the special attention provided to veterans generally. It is possible, of course, that the problem is associated less with veteran status per se than with other factors such as youth, minority status, or the selection bias inherent in determining who enlists or reenlists in the Armed Services, all of which may affect the employment outlook. If so, maturity and more experience in the labor market may eliminate part of the problem, as the higher employment rates for older veterans seem to indicate.

On the other hand, the typical military enlisted person today tends to be both young and a minority, and it is, therefore, unlikely that the problem will dissipate in the near term. Perhaps the new apprenticeship programs, which permit uniformed personnel to receive training while still in service as part of registered apprenticeship programs, will supply part of the solution. Obviously, however, because of their relatively

small size and lack of availability in all military installations, these programs cannot overcome the entire problem.

Other coordinated efforts that involve both military and nonmilitary training programs might also be developed. The Armed Services can become an important adjunct to other employment and training efforts or they can merely become a giant holding receptacle for young people who would otherwise be unemployed and are destined to become so in the long run.

G. Other Groups

There are other groups--the handicapped, Indians, migrants, ex-offenders, alcoholics, welfare recipients, displaced homemakers, to name only a few--who are also targeted for employment services in various Federal programs. The number of groups singled out by the Congress for special attention under Title III, Part A, of CETA ("Special National Programs and Activities") increases with each reauthorization of the act. Whether available program resources can effectively meet the needs of all these groups is a question that should be considered in the reauthorization process.

The following section will review some of the issues associated with CETA and other delivery institutions that determine the effectiveness of employment and training programs.

V. DELIVERY INSTITUTIONS

The Department of Labor, through CETA prime sponsors and State Employment Security Agencies, the Department of Health and Human Services, through State and local welfare agencies, and the Department of Education, through the State vocational education system, are the principal deliverers of employment and training services at the present time. The following review of these delivery systems will address some of the important administrative issues that are likely to affect their activity in the coming decade.

A. Labor and Health and Human Services

Employment and training programs administered by the Department of Labor's Employment and Training Administration (ETA) have served as the cutting edge of Federal employment policy for the last two decades. One of the most difficult problems faced during this period was how to define and delimit the Federal role in a largely decentralized, State and locally administered CETA program. Providing the necessary flexibility for prime sponsors to administer the program, while at the same time guarding against fraud and abuse and gathering the required management information, has been an objective that placed great strain on ETA's management capabilities in both the national and the field offices.

To strengthen these capabilities and to respond to particular provisions of the 1978 CETA Amendments, the Employment and Training Administration, in December 1979, created the Office of Management Assistance (OMA). The new office is directly responsible for providing an integrated management system for ETA program administration through DOL regional offices; for assisting communications between national program offices and the regions, including integration of work plans and the clarificaton of work priorities; for establishing and operating a programmatic and management performance review of all ETA programs except those administered by the Bureau of Apprenticeship and Training, Job Corps, and the Veterans Employment Service; and for developing and administering a comprehensive program of management and technical assistance and training coordinated through the ETA delivery system.

Although the mere formation of a management office is not enough to guarantee improved efficiency, OMA has also developed a Management Assistance and Training System (MATS), which through both 5-year and annualized delivery plans is meant to provide ETA with the capability to respond promptly and effectively to the needs of CETA prime sponsors and other service deliverers.[1/]

1/1980 Employment and Training Report of the President, pp. 22-23.

The CETA reauthorization legislation placed new responsibilities on the Department of Labor for certifying and monitoring the internal management information systems used by prime sponsors. It also increased substantially the amount and types of information required to be reported. Since most CETA prime sponsors have been operating manual systems that do not record all of the newly required data, the Department has instituted a long-term plan for improving them.

As part of this plan, the Labor Department is developing a standard prototype automated management information system (MIS) for use by sponsors, preparing a technical assistance guide that describes a model CETA client tracking system, and taking other steps designed to improve the quality of information in CETA programs. A long-range CETA Management Information System Redesign Program, begun in fiscal 1979, is aimed at ensuring sponsor compliance with all Federal reporting and recordkeeping requirements and promoting improved management of local CETA programs.[2/]

Sponsors are being urged by the Labor Department to improve their own verification and financial management systems as a further means of detecting fraud and preventing program abuse--another major emphasis in the CETA reauthorization. Prime sponsors are by law required to establish an Independent Monitoring Unit (IMU) to monitor compliance with the requirements of the act, the regulations, and their own Comprehensive Employment and Training Plan. DOL is urging prime sponsors to use these monitoring units as managerial tools for improving the operation and efficiency of CETA programs and activities. The Secretary of Labor is required to assess annually the effectiveness of each prime sponsor's IMU.[3/]

Although the emphasis on improved management by the Department of Labor is an important step in strengthening the CETA delivery system, much more remains to be done at all levels.

1. CETA Prime Sponsors

Before CETA was enacted in 1973, the Federal Government contracted individually with the Job Service, State vocational education agencies, community action groups, and local nonprofit community-based organizations to manage about 20 separate categorical manpower programs. Representatives from these various service deliverers sat on area planning committees, usually chaired by the Job Service, and had very little influence over the allocation of Federal resources, a decision usually made at the national level. CETA decentralized the management of most employment and training programs to State and local officials--mainly Governors and mayors or county executives in charge of units of government of 100,000 or more population.

[2/] Ibid., pp. 23-24.

[3/] Ibid., p. 24.

Although decentralization was one of two guiding principles of the 1973 legislation, some CETA sponsors have been criticized for poor management. Much of this criticism has been directed toward PSE activities, where nepotism, substitution, mismanagement, and sometimes outright fraud have been pointed to as evidence of the failure of the entire CETA program. To their credit, however, most sponsors have demonstrated efficiency and flexibility in meeting the challenge of frequent wide swings in PSE enrollment levels, changes in funding policy or in program regulations, and demands for the rapid implementation of entirely new programs such as the youth demonstrations.

Some newly developing approaches to organization and management are suggesting ways in which the prime sponsor system may be modified in the future. Under CETA title VII, every prime sponsor must have a Private Industry Council (PIC) to act as a liaison with the local business community and to give advice on the design of programs and how to improve the record of placements. It is unclear in the CETA legislation what powers these councils have, but many are incorporating and establishing their independence from prime sponsors. Depending upon how powerful and independent the PICs become nationwide, they may eventually offer a network of organizations that have merged local public and private interests and that combine the efficiency and discipline of the private membership with the community concern of its public members. At least one prime sponsor is already reported to be merging with its PIC to form a corporate body with a combined public-private managing board. Whether or not this proves to be a "wave of the future" or merely an interesting aberration in the evolution of the CETA prime sponsor system, there will be much to consider about management issues when CETA is taken up in 1982.

The National Commission for Employment Policy will be conducting and funding research on a number of important questions about the Federal role under CETA, the targeting of resources, the relationship of the public and private sectors in delivering CETA services, management control issues, the appropriate mix of services, and many other issues that will need to be addressed before decisions are made about the future of the program. A report is scheduled for 1982.

2. WIN and Welfare Reform Projects

The Work Incentive (WIN) program--though not as large as CETA--is a major employment and training effort designed to help recipients of Aid to Families with Dependent Children (AFDC) become self-sufficient. In fiscal year 1979, more than 260,000 registrants entered work and training components of the program.

Nationally, WIN is administered jointly by the Departments of Labor, and Health and Human Services. At the local level, the public Job Service has responsibility for employment-related services. Job-ready individuals who possess a marketable skill and have no personal barriers to employment may be referred to

available openings listed with the Job Service. Registrants in WIN who lack job skills are provided with classroom or on-the-job training or placed in work experience with a public or private nonprofit agency. Supportive services such as day care, transportation allowances, and health care are arranged for or provided by local public welfare agencies to persons who could not otherwise enter employment or programs to prepare them for a job. In many areas, the Job Service and welfare staff share space in the same local office as is the case at the national level.[4/] WIN sponsors are also expected to maintain close ties with other programs in their areas. In fiscal year 1979, resources other than WIN provided work and training opportunities to 79,640 registrants, about 60 percent of whom were served in CETA-funded projects.[5/]

The Welfare Reform Projects, also known as the Employment Opportunities Pilot Program (EOPP), are testing various reform strategies at 12 sites nationwide. The EOPP program, administered locally by CETA prime sponsors, has two principal components: job search and employment and training. The job search component consists of intake, initial assessment, a 5-week minimum active job search effort, and assessment for employment and training. During the initial program assessment, supportive-service needs are identified and provided.

Although overall responsibility for the program and delivery of services in EOPP rests with the CETA prime sponsors, close coordination is also expected to exist with the State employment service, the WIN program sponsor, and the local public assistance agency for the delivery of specific supportive services. Use of community-based organizations, Private Industry Councils, and other agencies is encouraged. The objective is to establish an integrated and coordinated delivery system.[6/]

For both WIN and EOPP, a key issue in any future comprehensive review of employment and training programs is that of coordination. How do they, or any broad welfare reform proposal of the future, fit together with CETA and other programs designed to promote employment? That question can be addressed as part of the 1982 CETA reauthorization process.

[4/] 1980 Employment and Training Report of the President, pp. 50-51.

[5/] Ibid., p. 51.

[6/] Ibid., pp. 41-42.

3. The Employment Security System

This State-level system is comprised of both the Employment Service (ES), or Job Service as it is more recently called, and the Unemployment Insurance System (UIS). It has existed in its present form since 1933, when the Wagner-Peyser Act was passed.

The Unemployment Insurance Service makes use of ES personnel to administer the work test to UI claimants and, on occasion, to handle UI claims when a rapid downturn in the economy temporarily overloads the system. Otherwise the UIS is a separate and distinct service, although in most States, UI and ES staff may occupy the same office space and share top management. In general, the Unemployment Insurance Service enjoys a good reputation for efficient administration. Its mission is clear, a detailed "cost model" for resource allocations operates effectively, and, except when applicants overload the system during major recessions or mass layoffs, the system functions smoothly.

The Job Service has not fared as well in its public reputation. In the earlier discussion of job search assistance strategies, the criticism from both employers and jobseekers was noted. Efforts to promote employment of the disadvantaged created distrust among employers in the 1960's, while, conversely, the clients of many early manpower programs believed the Job Service was not responsive enough to their needs. Unlike the estimated 10,000 private employment agencies that operate nationwide, the Job Service is required to serve all who apply, although, on the other hand, it cannot compel employers (except most Federal contractors) to list job openings or accept job referrals. By the rigid rule that applies to Job Service activity, it is credited with a permanent placement only when an individual is hired in a particular job listed with the agency to which the applicant has been specifically referred. Providing any other information or assistance that may lead to a job not listed by the agency is not a reportable item, and yet the placement record continues to be the primary measure of ES effectiveness. Furthermore, it must be noted that the basic mission of the Job Service as a labor exchange has been added to immeasurably since 1933 (ES estimates it is now involved in the administration of 25 laws, 17 Executive Orders, and 16 agreements with other Federal agencies), and its list of target groups due "special service" has grown exceedingly long over the years.7/

7/See 1980 Employment and Training Report of the President, pp. 57, 59-61.

Poor management and low output per dollar of investment are among the charges that have been leveled against the Job Service. In section 5(a) of the 1978 CETA Amendments, the Secretary of Labor was instructed to report to the Congress what problems existed in the Employment Service system and what could be done to eliminate them, with particular attention to the coordination of ES and CETA and any modifications of the Wagner-Peyser Act that would be necessary. The required report was transmitted to the Congress in January 1980, after much internal debate and close scrutiny by the Office of Management and Budget. It concluded that administrative rather than legislative changes were required in the near term, although some legislative amendments might become necessary after more experience has been obtained.

The particular recommended changes would entail bringing the management of CETA and ES into consistent time and policy frames and encouraging closer local coordination of the two service delivery systems by increasing the responsibility of Governors for the Job Service and decentralizing the ES planning process. At the same time, the national office would continue to have a strong leadership and monitoring role.

Perhaps that most important change from the point of view of the Job Service would be an effort to carefully define its role in delivering employment services. Among the currently held tasks that the Job Service would prefer to relinquish is that of an enforcement agent for matters that could be left to other agencies (e.g., assurance of adequate living conditions in migrant labor camps). A work group will be set up to sort out all the compliance functions and determine which might be more effectively and logically handled by other agencies.

Finally, the Job Service wants to work toward the development of an allocation formula more heavily weighted towards needs factors than the current formula but that would still leave room for rewarding performance. No change was recommended in funding the Job Service through Federal trust fund accounts.[8/]

When CETA reauthorization is taken up by the Congress in 1982, the relationship between CETA and ES will certainly be an issue, and information derived from the proposed administrative coordination effort should be of value in that legislative exercise.

8/See U.S., Department of Labor, "Report to Congress on Wagner-Peyser," unpublished (U.S. Department of Labor, June 12, 1980), 39 pp.

B. Education

The new Department of Education (formerly the Office of Education in the Department of Health, Education, and Welfare) has a close relationship with many of the work and training programs administered by the Department of Labor.

1. Interagency Agreements

To promote employment among disadvantaged youth, the Department of Education's Bureau of Occupational and Adult Education and the Department of Labor's Office of Youth Programs developed three interagency agreements in fiscal 1979.9/

In the first initiative, the two offices jointly funded a venture to encourage cooperation between local agencies and prime sponsors. The cooperation is designed to ensure the provision of education and training services for CETA-eligible youth through the public education system.

A second initiative involved the transfer of some Department of Education funds to the Department of Labor to establish in-school exemplary programs targeted to specific groups (the handicapped, school dropouts, economically disadvantaged youth, and incarcerated youth). These programs are intended to find new ways to involve the Nation's schools in finding long-term, productive jobs for young persons.

The third initiative provides funding by the Department of Labor for a Summer Youth Program to be administered by the Bureau of Occupational and Adult Education of the Department of Education. This project seeks to introduce economically and educationally disadvantaged youth who lack job skills to an intensive remedial program. Participants include high school seniors and high school dropouts, as well as first-year postsecondary students. Four postsecondary institutions that have traditionally served the disadvantaged have received funds.

Closer cooperation between CETA prime sponsors and the local school systems is also being sought through various agreements and joint projects at State and local levels as well.10/ By law, 22 percent of the funds for Youth Employment and Training Programs, authorized by title IV of CETA, are used for in-school youth programs with a local education agency as a delivery unit.

9/Ibid., pp. 137-138.

10/For example, see ibid., pp. 138-139.

2. Vocational Education

The 22-percent set-aside for CETA programs for in-school youth carried out through agreements between prime sponsors and local educational agencies (section 413(d)(2) of CETA) and the regular 6-percent set-aside for vocational education programs to be distributed by the Governors (sections 202 and 204) ensure that the vocational education system will be an important part of the delivery of CETA services.

The Vocational Education Act is scheduled for reauthorization in 1981, and (as indicated earlier) the National Commission for Employment Policy is presently involved in a thorough analysis of the vocational education system in preparation for making its own recommendations. Among the topics now being considered are sex equity in vocational education, efficiency in the delivery of services, including a review of the linkages among CETA, vocational schools, and the private sector, the adequacy of occupational needs projection techniques, and overall program impact.

VI. SUMMARY AND CONCLUSION

The 1960's and 1970's were characterized by a Federal employment policy that sought to assist those population groups who were at the greatest disadvantage in the labor market. By law and policy, nearly all work and training programs adopted during these two decades were directed to the poor, or "economically disadvantaged," who are disproportionately minorities. The major exception was countercyclical public service employment (PSE), introduced as a national program in 1971 under the Emergency Employment Act and carried on under CETA first under title II and later under title VI. Since 1978, however, these programs, too, have been redirected to serve mainly the economically disadvantaged, with as yet uncertain results.

Again, with the exception of PSE, the employment strategies of the seventies proved virtually the same as those of the sixties. Classroom training, work experience, and on-the-job training have been offered by State and local CETA prime sponsors in about the same proportion, or mix, as the earlier Federal contractors who administered categorical programs for the Department of Labor as part of the War on Poverty.[1]

Futhermore, results from evaluations of these programs show no dramatic increase in effectiveness as a result of the change in sponsorship after 1973, as demonstrated by postprogram earnings gains. Nor have analysts been able to suggest ways to improve the effectiveness of these basic strategies in any significant fashion. Thus, OJT continues to be cited by evaluators as among the most effective techniques for increasing participant earnings, and yet, for a variety of reasons cited earlier, it is the least utilized of program strategies. Classroom training, which might be classified in the middle-range of effectiveness in terms of ability to increase future earning power, is the most frequently applied strategy, followed by work experience, which, according to evaluation literature, is least effective as an employment device.[2]

PSE programs, which have grown considerably and represent an increasingly large proportion of CETA activity since that

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[1]William Mirengoff and Lester Rindler, CETA: Manpower Programs Under Local Control (Washington, D.C.: National Academy of Sciences, National Research Council, 1978), pp. 125-126.

[2]1980 Employment and Training Report of the President, pp. 24-26.

law was enacted in 1973, has been the center of much controversy because of cases of poor management, fraud, and abuse at the local level, as well as philosophical disputes regarding the role of the Federal Government as an employer. In addition, it has undergone intensive scrutiny by social scientists and others concerned about its possible inflationary and substitution effects. Nevertheless, all remedial program modifications suggested so far (e.g., low wages, tight eligibility focused on the poor and unskilled, substantive skill training, and transition to unsubsidized jobs) seem certain to make the program less attractive to State and local sponsors (as an early evaluation bears out) and will, in addition, make it more difficult to operate at the desired high levels of enrollment required during recessionary periods.

Because most evaluations have lacked control groups for comparison purposes, it is very difficult to make judgments about program outcomes for particular groups. Most studies show gross earnings gains for program participants, but these fail to allow for increases in earnings that would have come about even in the absence of training. Maturation of the younger enrollees, inflationary effects on later wages, and the fact that eligibility requirements assure that individuals who enter the programs are at probably the lowest point of their careers, all contribute to the upward trend in postprogram earnings.3/

Nevertheless, since 1973, some positive evidence has appeared to support the general presumption of effectiveness that has sustained manpower policymakers for the last two decades. In contrast to the earlier, less scientific studies, the recent Continuous Longitudinal Manpower Survey (CLMS) review of net earnings data for participants in adult programs under CETA presents at least tentative evidence that enrollees have in fact experienced net gains in postprogram earnings, though some methodological limitations are acknowledged. Not surprisingly, perhaps, those persons who earned the least, prior to entry, seem to have benefited the most from their program experience, as expressed in later earnings gains. Preliminary data for later groups of enrollees appear to offer similar findings.

Concerning the basic delivery systems that provide services to particular groups, CETA, the Employment Service, WIN, the vocational education system, and others are all in need of

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3/See Borus, "Assessing the Impact of Training Programs," Employing the Unemployed, p. 17.

careful scrutiny not only to determine how they may be improved individually, but also to consider whether they can and should be better coordinated in order to work more efficiently and effectively and avoid expensive duplication of effort. Current delivery systems may also benefit from the addition of some promising new strategies such as job-finding clubs and techniques for creating a closer involvement of the private sector in CETA and other work and training programs such as Private Industry Councils (PICs).

In sum, the employment and training system has matured over the past two decades. It is a complex system that has helped many, but at considerable cost, and it has come under attack on a variety of grounds. Over the next 2 years, the President and Congress will have to decide whether and how to redesign that system. As this report indicates, there is a great deal of experience on which to draw for this exercise, although program benefits and costs cannot always be measured as accurately as they ought to be. If assessing this information is not an easy task, it is nonetheless an important first step in building an employment policy for the eighties.

Addendum

Federal Outlays and Obligations for Work and Training Programs, by Agency and Program, Fiscal Year 1979 ($ in millions)

Agency and Program	Obligations	Outlays
TOTAL, ALL AGENCIES	$15,257.6	$14,452.5
Department of Agriculture		
Youth Conservation Corps	60.0	62.7
Department of Commerce		
Job Opportunities Program	0.0	2.0
Department of Health and Human Services		
Social Services Training and Employment	223.0	223.0
HHS Vocational Rehabilitation	1,018.8	965.9
Subtotal, HHS	1,241.8	1,188.9
Department of the Interior		
Indian On-the-Job Training	1.2	1.2
Indian Institutional Training	17.6	17.6
Indian Direct Placement	14.2	14.2
Indian Action Teams	22.4	22.4
Subtotal, Interior	55.4	55.4
Department of Justice		
Prisoner Training	5.0	1.9
Department of Labor		
Older Americans	220.6	207.8
Work Incentive (WIN) Program	380.1	385.0
Employment Service:		
ES Services	696.9	696.9
Food Stamp Recipient Placement	28.7	25.4
ESAP	22.7	22.7
Subtotal, ES	748.3	745.0
Employment and Training Assistance		
Title II - A,B,C	1,910.1	1,801.5
Title II - D	2,442.8	1,755.4
Indians	73.2	66.1
Migrants	91.8	90.2
Other National Programs	168.3	122.9
Program Support	57.5	46.5
Summer Youth Employment Program	622.2	659.5
Job Corps	400.8	379.6
Young Adult Conservation Corps	226.7	273.2
Youth Community Conservation and Improvement Projects	81.9	90.7
Youth Incentive Entitlement Pilot Projects	82.7	76.6
Youth Employment and Training Programs	427.3	480.1
Skill Training Improvement Program	34.0	136.5
HIRE	4.5	47.3

Federal Outlays and Obligations for Work and Training Programs, by Agency and Program, Fiscal Year 1979 ($ in millions) - Continued

Agency and Program	Obligations	Outlays
Migrant Initiative	0.1	16.2
Indian Initiative	2.1	15.6
Private Sector Program	32.6	3.7
Labor PRM	0.0	0.0
YCCIP R&D	11.5	12.7
YETP R&D	67.3	75.4
TJTC Administration	10.3	5.8
Welfare Reform Demonstration	23.5	2.4
CETA Outlay Shortfall	0.0	0.0
Subtotal, E and TA	6,811.2	6,157.9
Temporary Employment Assistance (Title VI)	3,317.2	3,285.2
Other DOL		
Antidiscrimination (ESA)	5.5	5.5
Labor Market Information (BLS)	36.9	36.2
Program Administration (ETA)	114.0	113.8
Contract Compliance (ESA)	41.5	39.5
Subtotal, Other DOL	197.9	194.5
Subtotal, Labor	11,675.3	10,975.4
Department of Education		
College Work Study	574.0	542.0
Vocational Education	682.9	680.7
Education PRM	0.0	0.0
Subtotal, Education	1,256.9	1,222.7
Department of Housing and Urban Development		
Community Development	30.0	20.4
Veterans Administration		
Veterans Skill Training	505.8	508.3
Veterans Assistance Centers	11.0	11.0
Veterans Vocational Rehabilitation	109.1	109.6
Subtotal, VA	625.9	628.9
Other Independent Agencies		
Equal Employment Opportunity Commission	105.6	92.5
Other Contract Compliance	0.0	0.0
Agency Federal Youth Programs:		
Summer Aides	36.2	36.2
Stay-in-School	92.8	92.8
Federal Summer Employment	72.7	72.7
Subtotal, AFYP	201.7	201.7
Subtotal, OIA	307.3	294.2

SOURCE: Office of Management and Budget.

SECTION C

ECONOMIC DEVELOPMENT POLICIES TO REDUCE STRUCTURAL UNEMPLOYMENT

by

Everett Crawford and Carol Jusenuis

The authors acknowledge with gratitude the assistance received from many people throughout this project. Too numerous to mention individually, they include the staffs of congressional committees concerned with the topic area, program and research staff of relevant agencies, and officials of various public interest groups. We would like to thank the participants in our October 1980 Conference as well as those who arranged staff field visits.

Two former Commission members were very helpful in providing advice and assistance: former Governor of Massachusetts Michael Dukakis, and Senior Vice President of The East Los Angeles Community Union Roy Escarcega.

Finally, special thanks go to Randy Albelda for research assistance, Laura von Behren for conference arrangements, and Karen Wilson for secretarial support.

I. OVERVIEW

A. Introduction

At its December 1979 meeting the National Commission for Employment Policy determined that economic development efforts to reduce unemployment and underemployment would be a major agenda item for 1980. The Commission's view was that the prospects for very tight Federal budgets over the next several years --concomitant with continuing problems of joblessness and poverty--made it especially important to determine the most effective way to use economic development activities to address employment problems. The focus of the Commission staff's effort was on how economic development policies can be harnessed to alleviate structural unemployment.

The definition of "structurally unemployed" persons used here is the one that has been used in the employment and training literature for the past several years. It refers to those persons who have had difficulty in making and maintaining an effective attachment to the labor market because of a lack of basic educational and occupational skills or who have such difficulties because of personal circumstances (such as being a female head of household with responsibilities for supporting children) compounded by discrimination. In other words, the economically and educationally disadvantaged.

Over the past two decades, use of the term structurally unemployed has come full circle. In the early 1960's, the term referred to people who became unemployed because of structural changes in particular industries or regions. Later, in the 1970's, the term was used as a substitute or a euphemism for the poor and disadvantaged. With the relatively recent problems in basic industries, such as automobiles and steel, the term is again being used in its earlier sense and thus has become somewhat ambiguous. To reiterate, in this report structurally unemployed refers to the disadvantaged.

B. Report Outline

The next chapter presents information on the nature of the economic development problem and on the relationship between this problem and that of structural unemployment. It concludes that some form of development assistance--that targets jobs where the unemployed and underemployed live--is necessary.

Chapter III turns to a review of economic development policies as they have been practiced. The chapter begins with a description of the historical evolution of Federal programs and concludes with a description of current programs within the Federal, State and local governments and within the private sector.

Chapter IV examines the effectiveness of these economic development policies and programs in meeting their stated goals. In particular, the economic, political, and statistical problems inherent in targeting assistance to particular locations are summarized. In addition, the alternative methods that are used to stimulate location-specific private sector investment, and hence job opportunities, are analyzed. The concluding section deals with the specific issue of linking this development-induced investment to the job needs of structurally unemployed persons. One of the ways this linkage might be accomplished is by training the people for jobs in the firms which receive development assistance.

Chapter V continues this discussion of linkage first by outlining the barriers to effective coordination of the various development and employment and training programs. It then reviews several recent demonstrations and experiments that have been designed to overcome the barriers.

II. ECONOMIC DEVELOPMENT POLICIES AND STRUCTURAL UNEMPLOYMENT: DEFINING THE PROBLEM

A. Introduction

Economic development is a process. It involves alterations in the basic elements of an economy: in its industrial (or export) sector, in its service and retail sectors, in its stock of housing and in the skill level and mix of its work force. The development process is more than economic growth. Growth means increases in the quantity of an economy's output. Development implies qualitative changes within the structure of an economy as well. These changes may involve innovations in technology, the establishment of new institutions (private or public) or a reorganization of the relationships among existing institutions.[1/] The goal of economic development is increased well-being of the population, measured specifically by increases in per capita income and reductions in unemployment.

At present, the term economic development is used in several different ways. The definition just given is a traditional one, most often used in the context of national economies. This definition takes into account the connections among sectors as well as the linkages among subnational, regional and local economies.

As the term is used today in the context of the American experience, economic development implies something more limited in scope. In some cases it means the physical revitalization of deteriorated or abandoned buildings and infrastructure in a particular neighborhood. In other cases, it means job creation and job retention in individual regional or local economies--it is this sense that the term economic development is used in this report.

B. Geographic Variations in Economic Well-Being

The problem of economic development in the U.S. is viewed in terms of differentials in the economic well-being of places. Some areas have high concentrations of unemployed and underemployed workers and are growing slowly, if at all. At the same

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1/See R. Vaughan and P. Bearse, "Federal Economic Development Programs: A Framework for Design and Evaluation," Economic Development Policies to Reduce Structural Unemployment: Conference Proceedings and Background Papers (Washington, D.C.: National Commission for Employment Policy, forthcoming 1981).

time, other areas of the Nation are prosperous: they have low unemployment rates as well as high and rising levels of per capita income.2/

Variations in economic well-being across regions, and between urban and rural areas, have been a longstanding feature of the American economy. In broad terms, the problems that areas have experienced have not changed over time. For example, in spite of increases in per capita income, poverty remains a major issue in rural America and the South. At the same time, slow growth and unemployment have been major concerns in urban areas and in the North.3/

Still, the particular places which have experienced greater --or lesser--hardship have not been the same. Chart A illustrates this point for regional unemployment rates. It shows the ratio of regional unemployment rates to the national average for the period 1955-1979. By using the ratio of unemployment rates, adjustments are made for the impact of national business cycles. From this chart it is seen that throughout the 1960's the Western States had the highest unemployment rates in the country. But beginning in the early 1970's, this problem shifted to the Northeast. A comparison of the poverty data in Tables 1a and 1b makes the same point at the local level. A decade ago the proportion of the nonmetropolitan population that was in poverty was greater than that in the central cities (19 vs. 15 percent, see Table 1a). In 1976, the incidence of poverty was somewhat greater in the inner cities than in nonmetropolitan areas (16 vs. 14 percent, see Table 1b).

Long-term unemployment is also geographically concentrated. It has been found to be more unequally distributed across States

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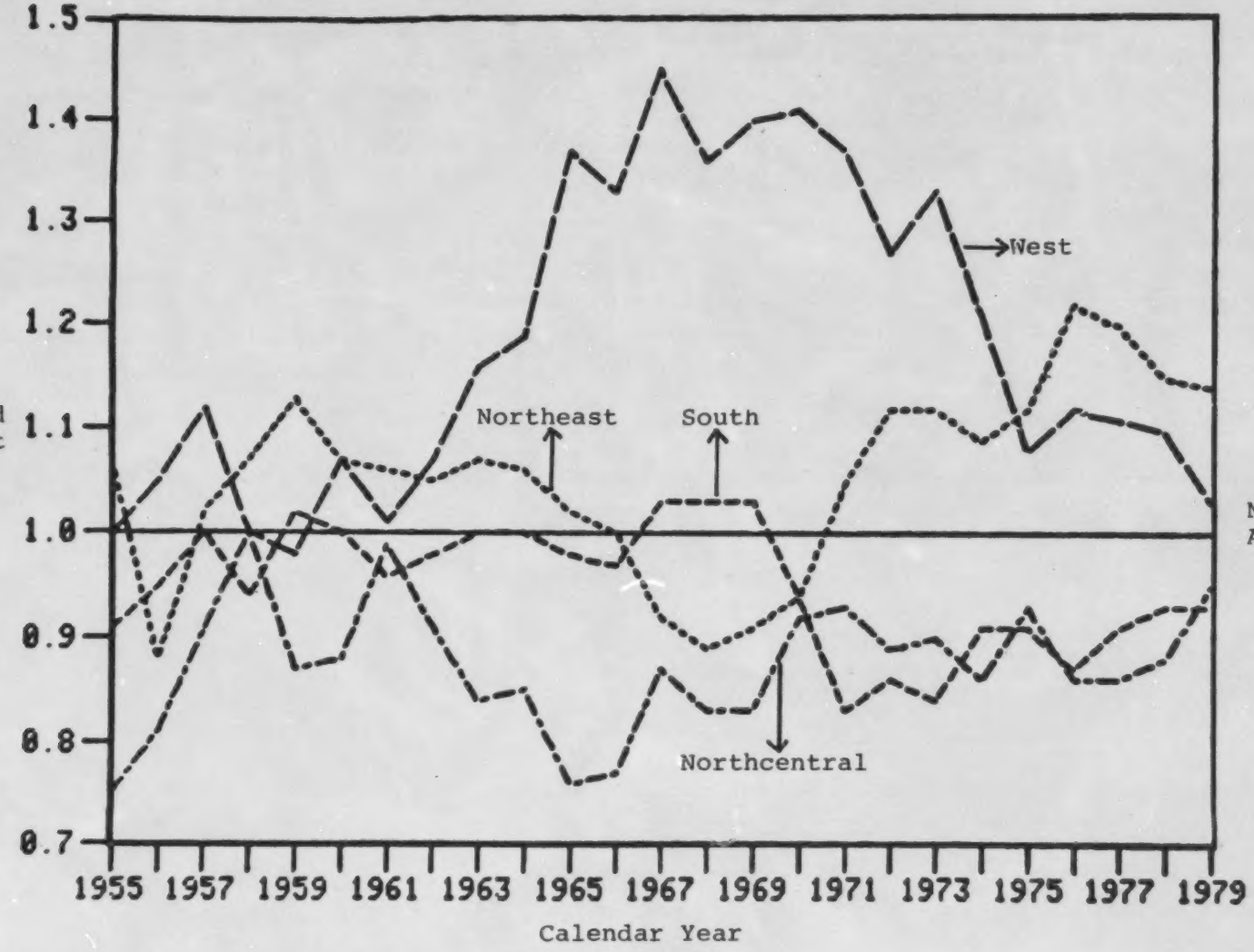
2/Congressional Budget Office, Troubled Local Economies and the Distribution of Federal Dollars (Washington, D.C.: Congressional Budget Office, August 1977); B. Chinitz, "The Regional Problem in the U.S.A.," in Backward Areas in Advanced Countries, ed. E.A.G. Robinson (New York: St. Martin's Press, 1969).

3/See also C. Jusenius and L. Ledebur, Federal Regional Responses to the Economic Decline of the Northern Industrial Tier, Economic Development Research Report (Washington, D.C.: U.S. Department of Commerce, Economic Development Administration, March 1977).

Chart A: Trends in Relative Regional Unemployment Rates, 1955-79



*Ratio of regional to national unemployment rate.

SOURCE: F. Fischer,"Geographic Variations in Unemployment,"
Economic Development Policies to Reduce

Table 1a: Economic Characteristics of Metropolitan and Nonmetropolitan Populations, 1970

Economic Characteristic of the Population	Total Number (in 1000s)	Metropolitan			Nonmetropolitan
		Total	Central City: Inside	Central City: Outside	Total
	Percent Distribution 1970				
Civilian Noninstitutional Population (over 16)	139,089	68.8	32.5	36.3	31.2
Civilian labor force...	79,444	70.6	33.0	37.6	29.5
Unemployed	3,485	68.9	35.8	33.1	31.1
In Poverty[a]	27,204	56.0	34.0	22.0	44.0
	Rate in Percent 1970				
Unemployment Rate[b]..	4.4	4.8	4.8	3.9	4.6
Percent in Poverty	13.8	11.2	14.9	8.1	19.3

[a] In Poverty includes all persons in families but excludes unrelated individuals under 14 years old, members of the Armed Forces living in barracks, and college students living in dormitories.

[b] For April 1970.

SOURCES: U.S., Department of Commerce, Bureau of the Census, Social and Economic Characteristics of the Metropolitan and Nonmetropolitan Population 1977 and 1970, Current Population Reports, Series P-23, No. 75 (Washington, D.C.: U.S. Department of Commerce, Bureau of the Census, November 1978); U.S., Department of Commerce, Bureau of the Census, General Social and Economic Characteristics, Census of the Population, Final Report PC(1)-C1, U.S. Summary (Washington, D.C.: U.S. Department of Commerce, Bureau of the Census).

Table 1b: Economic Characteristics of Metropolitan and Nonmetropolitan Populations, 1979

Economic Characteristic of the Population	Total Number (in 1000s)	Metropolitan			Nonmetropolitan		
		Total	Central City		Total	Farm	Nonfarm
			Inside	Outside			
	Percent Distribution 1979						
Civilian Noninstitutional Population....	161,532	68.1	28.5	39.6	31.9	2.8	29.1
Civilian labor force...	102,908	69.2	28.0	41.2	30.8	2.8	28.0
Unemployed	5,963	69.8	34.3	35.6	30.2	1.1	29.0
Structurally Unemployed[a/]	1,471	72.9	39.8	33.2	27.1	1.0	26.0
In Poverty (1976)[b/].....	24,975		38.0	23.0	39.0	N.A.	N.A.
	Rate in Percent 1979						
Unemployment Rate.....	5.8	5.8	7.1	5.0	5.7	2.3	6.0
Rate of Structural Unemployment[c/].....	1.4	1.5	2.0	1.2	1.3	0.5	1.3
Percent in Poverty	11.8	10.7	15.8	6.9	14.0	N.A.	N.A.

a/ Persons unemployed 15 or more weeks, as determined in the March Current Population Survey. The figure excludes 99,000 persons whose places of residence were not identifiable due to confidentiality restrictions.

b/ In Poverty includes all persons in families but excludes unrelated individuals under 14 years old, members of the Armed Forces living in barracks and college students living in dormitories.

SOURCES: U.S., Department of Labor, Bureau of Labor Statistics, Employment and Earnings 27, No. 1 (Washington, D.C.: U.S. Department of Labor, January 1980); U.S., Department of Commerce, Bureau of the Census, Social and Economic Characteristics.

than either total unemployment or income.[4] Also, as shown in Table 1b, while central cities have about 29 percent of the population and 28 percent of the labor force, they have 40 percent of the long-term unemployed.

C. Alternatives for Reducing Geographic Variations in Well-Being

Reducing geographic disparities in economic well-being could be achieved in either of two, not mutually exclusive, ways: people could be encouraged to move to areas where jobs are located or job creation could be stimulated where the unemployed reside. Economic development programs have focused on the latter option: they attempt to stimulate private sector investment, and hence job opportunities, in economically-distressed areas.

In the Federal Government and among students of economic development, there is a growing consensus that an important objective of development programs is net new job creation for the Nation as a whole. While clearly new job creation should be an objective of development policies, the distribution of jobs among local economies is also an issue. Equity considerations--i.e., should people in one area suffer high unemployment while those in another area prosper--are a major concern. In addition, the efficiency question--should we help move people to the jobs or the jobs to the people--suggests a reason for encouraging local economic development even if there is no net job creation. The case for this approach, which targets jobs geographically, hinges on the inability and cost of moving workers and capital.

Once in place, most capital is immobile. While some forms (such as buses or office equipment) can be relocated even in the short run, other forms (such as roads, sewers and buildings) are fixed.[5] Further, there are social costs associated with permitting deterioration or abandonment of this fixed capital.

The extent to which people are immobile is less clear. By moving jobs to people, economic development policies assume the existence of barriers to their mobility. These barriers may be institutional in nature, such as housing discrimination on racial grounds; or they may be attitudinal, for example, a preference for living in a particular location due to family ties.

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[4] F. Fischer, "Geographical Variations in Unemployment," Economic Development Policies to Reduce.

[5] In some cases (e.g., buildings and sewers) relocation is possible, but generally at prohibitively high cost.

On the other hand, it might be expected that workers in high unemployment areas would migrate to search for work in lower unemployment regions and localities so that over time geographic differences in economic well-being would diminish. There is evidence that the annual flow of migrants is roughly 10 times that which would be necessary to equalize unemployment across States.6/ This suggests a need to understand why unemployment rate differences exist and remain over time.

Several reasons have been offered for the geographical disparities in unemployment.7/ Each has a different implied policy response. The policy responses are discussed in Chapter IV.

1. Geographic variations in unemployment are due to temporary "shocks" which strike different areas at different times. Local workers, recognizing that their unemployment may be of short duration, remain in the area rather than emigrate.

2. Unemployment rate differentials persist because of barriers to migration (or commuting). Such barriers include, for example, a lack of (moderately-priced) housing or inadequate local transportation networks.

3. Relatively high unemployment rates exist in areas where low-skill workers are disproportionately concentrated. These workers make rational decisions not to migrate: they can do no better elsewhere, considering not only the costs of the move and the probability of obtaining work at the new location but also the expected duration of that employment and the wage that is likely to be offered.

4. Some areas are more attractive than others in terms of amenities and the wages that are offered. People prefer to live in such places and risk unemployment rather than move to less desirable locations and perhaps also receive lower (real) wages.

6/Fischer, "Geographical Variation in Unemployment," Economic Development Policies to Reduce.

7/These reasons are summarized in S. Marston, "Anatomy of Persistent Local Unemployment," Economic Development Policies to Reduce.

In assessing the relative importance of these alternative explanations, it is necessary to distinguish between reasons for regional differences in unemployment rates, where long-distance moves are an issue, and reasons for unemployment rate differences between cities and suburbs, where commuting or short-distance moves are possible. The evidence indicates that whether one considers long- or short-distance moves, Americans do move to avail themselves of job opportunities. About one-third of those who change jobs also change their place of residence and about 50 percent of all residential moves involve job changes. Such moves may be from one region to another or from one part of a city to another.8/

Still, research has found that some groups do not move. In particular, female-headed households are extremely immobile residentially. Also, blacks are less mobile within urban areas than among them, perhaps due to housing discrimination.9/ Finally, research suggests that some barriers to mobility are more subtle. Long-distance moves by families require a joint decision by the husband and wife. Those couples in which the wives are employed have been found to have a lower probability of making long-distance moves.10/ Moreover, among the unemployed, those who do not migrate between cities seem to be making rational decisions. For those who have limited skills, the choice seems to be between unemployment at their current residence and low wages in unfamiliar surroundings. For those who are skilled, the choice is between uncertain employment in a less attractive (from the individual's perspective) location. For both groups, geographic mobility may not pay: all opportunities for gain (financial and otherwise) have been realized at their current location.11/ In sum, while Americans as a whole are a geographically mobile work force, there are some who cannot, or do not, move.

8/J. Madden, "The Geographic Targeting of Job Programs," Economic Development Policies to Reduce; see also, U.S., Department of Housing and Urban Development, The President's National Urban Policy Report (Washington, D.C.: U.S. Department of Housing and Urban Development, 1980).

9/Madden, "The Geographic Targeting of Job Programs," Economic Development Policies to Reduce.

10/S. Sandell, "The Economics of Family Migration," Dual Careers 4, U.S., Department of Labor R&D Monograph No. 21 (Washington, D.C.: U.S. Department of Labor, 1976).

11/Marston, "Anatomy of Persistent Local Unemployment," Economic Development Policies to Reduce.

To the extent that barriers to mobility inhibit migration, there is a need for policies to reduce these barriers. Evidence indicates that training and education programs, which increase people's skills and hence the range and quality of their job opportunities, are important. In some cases, employment can then be obtained in the person's current location, thus foregoing the need for that person to leave familiar surroundings. In other cases, employment in a new location becomes a viable option. At the same time, both because some people wish to remain where they currently live and because there are social costs to "leaving capital behind," there is also a need for some form of development assistance which "moves jobs to people."

III. ECONOMIC DEVELOPMENT POLICIES AND STRUCTURAL UNEMPLOYMENT: PAST AND CURRENT POLICY RESPONSES

A. Historical Evolution of Programs[1/]

The current set of Federal development policies can be traced back to the mid-1950's. At that time a bill was introduced to provide Federal assistance to chronically depressed areas. The legislation was based on a concern that some communities and workers were falling behind economically because of regional movements of industry and technological change. Unless these communities and the skills of their workers were changed and adapted to current and future needs, they would continue to lag behind the national economy.

Ultimately passed in 1961 as the Area Redevelopment Act (ARA), the legislation provided four kinds of aid:

-- Grants to communities to upgrade local infrastructure to enable them to compete with other communities in attracting firms;

-- Access to capital (and lower-priced capital) for firms willing to locate in such communities;

-- Training and retraining for unemployed workers; and

-- Technical assistance to both firms and local communities.

Thus, place-oriented, investment-incentive assistance, and people-oriented training programs were joined in a common legislative framework, the ARA.

This, however, was not the first time in the Nation's history that economic development activities were undertaken. A brief digression might help to put the ARA and its successor initiatives into perspective. The National Government's interest in development began in the early days of the Republic. National policies to open the country's interior for development, i.e., the construction of infrastructure, were early economic development policies. Vast networks of roads and waterways were created; land grants to railroads assisted them in linking communities and markets. During much of the 19th century, the country was concerned with opening the continent and developing a national economy.

[1/] This section is based largely upon R. Widner et al., Economic Development and Employment: A Survey of Economic Development, Employment and Training Programs Since 1960, Technical Report (Washington, D.C.: National Commission for Employment Policy, forthcoming 1981).

Toward the end of the 1800's, the Government began to move away from such active intervention in the development process and toward a more passive, rule-setting, refereeing role--the days of laissez-faire. Unless one classifies the passage of the Smith-Hughes Act in 1917--which established a national role in vocational education--as development legislation, there was little activity in this area from the beginning of this century to the 1930's.

In response to the depression of the 1930's, the Federal Government again became an active force in the Nation's development. A variety of programs that would now be classified as "place-oriented" were initiated. The most ambitious of these was the Tennessee Valley Authority, a major undertaking that sought to redevelop a whole region of the Nation. Other public works helped to improve and extend the public capital of many areas of the country. These included the construction of airports and public buildings (schools, courthouses, post offices, etc.).

Simultaneous with these "place-oriented" programs was a series of employment programs--the Works Progress Administration, the Civilian Conservation Corps, and National Youth Administration--that were "people-oriented," providing employment and training to large numbers of unemployed persons. In addition, the Federal Government initiated programs and policies designed to facilitate labor exchange and to provide some cushion for shocks resulting from major changes in the economy. These included the Wagner-Peyser Act (U.S. Employment Service) and the Social Security Act.

Despite these programs, unemployment remained high until the United States became involved in World War II. While the Nation prosecuted the war, the economy operated at a more than full employment level. It was not until the war's end that legislative concern returned to the subject of unemployment.

The Employment Act of 1946 committed the Nation to policies to promote maximum employment and price stability. Despite the policy commitment, unemployment and inflation were at high levels during the immediate post-World War II period. As the Nation moved into the decade of the 1950's, structural and technological changes began to occur, leading to the kinds of problems that were addressed in the economic development proposals that became the Area Redevelopment Act.

To return to the opening theme, the ARA, designed to assist people and places affected by structural and technological changes in the economy, became law in 1961. Responsibility for administration of the development assistance program was vested

in the Department of Commerce in a new Area Redevelopment Administration. Responsibility for the training portions of the Act's programs was assigned to the Departments of Labor and Health, Education and Welfare.

The original ARA was short-lived. In 1962, Congress passed the Manpower Development and Training Act (MDTA) to provide for the training and retraining of workers, regardless of where they lived, who had been displaced by automation and other technological changes. This new legislation replaced the training provisions of the ARA and provided more funds for such programs. It also divorced place-oriented assistance from people-oriented assistance. The MDTA was amended in 1965 to provide for job training programs in areas that were eligible for economic development assistance.

Place-oriented programs and people-oriented programs have been separated since the mid-1960's. In addition, the thrust of manpower programs moved away from the technologically-displaced workers; with the advent of the War on Poverty in 1964, manpower programs were reaimed toward the poor--or more specifically, the group presently termed the structurally unemployed. As noted, they are the long-term unemployed who have poor attachments to the labor markets, few skills, and little education.

The next section of the paper reviews the current set of economic development programs which attempt to improve the labor market status of structurally unemployed persons.[2/] It first describes the several different Federal programs; it then presents a broad overview of the various State and local efforts, and it concludes with a brief summary of private sector development initiatives.

B. Current Programs

Economic development programs are conducted at every level of government and by the private sector as well. Although this project is concerned primarily with Federal programs, it is recognized that Federal programs need to be related to State and local efforts and to those of the private sector.

[2/] It is recognized that current economic development programs have other goals in addition to the reduction of general unemployment, including the improvement of the physical environment and the fiscal capacity of local governments. The present project, however, has a highly restricted focus on the utility of these programs in reducing structural unemployment.

The Federal Government operates many programs and undertakes many activities that affect economic growth and development which are not considered here. Federal policies such as defense, transportation, water supply, clean air, energy, and many others have important effects on variations in regional and State growth and on the structure of cities. At present there are no adequate systems for assessing their consequences for economic development as the term is used in this project.

1. Federal Programs

The principal Federal economic development programs considered here are the Department of Commerce's Economic Development Administration (EDA) programs, the Housing and Urban Development (HUD) Community Development Block Grant program and the HUD Urban Development Action Grant Program (UDAG), the Department of Agriculture's Farmers Home Administration programs (FmHA) and the Community Service Administration's Community Economic Development program. The Small Business Administration conducts certain programs that are part of economic development, but the main focus of that agency is assistance to, and development of, smaller businesses, not necessarily on economic development as the term is used here. Table 2 shows the 1979 budget authority for these economic development programs.

Taken together, the principal economic development programs listed in Table 2 offer a variety of place-oriented incentives for private sector investment. Their purpose is to provide increased access to capital markets and lower priced capital for firms seeking to or willing to do business in certain kinds of areas--rural areas in the case of the FmHA programs and in economically distressed areas in the case of EDA programs.[3/] The programs also provide infrastructure grants (for water and sewer systems, etc.) for places that are seeking to upgrade themselves as "places to do business." Finally, certain programs also provide grants for community facilities, such as health care and training institutions.

The point of the foregoing discussion is that the various Federal development programs provide similar, and in some cases identical, types of assistance and have overlapping geographic

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[3/] See also the typology of programs in Vaughan and Bearse, "Federal Economic Development Programs: A Framework for Design and Evaluation," Economic Development Policies to Reduce.

Table 2. 1979 Budget
Principal Economic Development Programs[a]

Agency	Program	Budgeted Authority (Millions)	Loan Authority (Millions)
Commerce (EDA)...	Distressed areas (titles I, III, IV, IX)	$ 400	--
	Business in distressed areas (title II)	97	$ 289
HUD.....	CDBG entitlement	2,652	--
	CDBG small cities	657	--
	UDAG	400	--
Agriculture.....	FmHA business and industry/loans		1,100
CSA.....	Community Development Corporations	42	--

[a] Adapted from Widner et al., Economic Development.

service areas. However, the programs have differing delivery systems, as summarized in Table 3. Following are brief descriptions of the individual programs:

a. Department of Commerce--Economic Development Administration (EDA)

EDA, the successor to the Area Redevelopment Administration, provides funds to distressed local areas under several titles of the Public Works and Economic Development Act (PWEDA). Title I authorizes grants and loans for public works and development facilities. Eligible activities include infrastructure such as water and sewer facilities, utilities, streets and access roads, and vocational schools. Title II provides for business development loans and loan guarantees with which applicant firms can purchase land and facilities (including machinery and equipment) for industrial or commercial use. Title III provides funds to State and local governments and other eligible applicants for technical assistance, research, and planning. Title IX authorizes special economic development and adjustment assistance to State and local governments in responding to sudden and severe economic dislocations or long-term economic decline. EDA also administers a part of the trade adjustment assistance program.

The basic legislation establishes criteria of distress that take into account unemployment, family income, and other indicators of economic distress. Under present law, approximately 80 percent of the country is eligible.

In addition to meeting the economic distress criteria, areas must be designated as Economic Development Districts (EDD) or Redevelopment Areas by the Assistant Secretary. An EDD must establish a board which produces a local Overall Economic Development Plan for the district. Proposals for assistance must be consistent with the plan.

b. Department of Housing and Urban Development--Community Development Block Grant Program (CDBG)

In adopting the Housing and Community Development Act of 1974, the Congress consolidated a number of limited-purpose categorical grant programs into a broader and more flexible "Community Development Block Grant," whose funds are available to eligible communities largely on an entitlement basis. Programs consolidated into the CDBG include: urban renewal, neighborhood facilities, public facilities and rehabilitation, open space, urban beautification, and historic preservation.

Table 3. Principal Economic Development Programs Delivery Systems[a]

Agency	Program	Delivery System
Commerce (EDA)...	Distressed areas	Categorical
	Business in distressed areas	Categorical
HUD.....	CDBG	Entitlement
	CDBG (small cities)	Entitlement
	UDAG	Categorical
Agriculture.....	FmHA business and industry loans and loan guarantees	Categorical
CSA.....	Community Development Corporations	Categorical

[a] The kinds of complications that result from the varying delivery systems for economic development are illustrated in Chart 3 in P. Choate, As Time Goes By: The Costs and Consequences of Delay (Columbus, Ohio: Academy for Contemporary Problems, 1980).

Recipient jurisdictions have wide latitude in choosing the activities to be conducted with their CDBG funds, but their plans/applications must give maximum priority to one of three priority areas: (1) benefits to low- and moderate-income families, (2) community preservation or elimination of slums and blight, or (3) other community development having a particular urgency.

Economic development was added to the Housing and Community Development Act as a specific national objective in 1977, although a number of jurisdictions had used portions of their CDBG funds for that purpose prior to the new legislation. The 1977 legislation permitted grantees to purchase real property and purchase, construct, rehabilitiate, or otherwise improve public, commercial, or industrial facilities. They were authorized to make grants to local entities for technical assistance, financial assistance (for working capital or acquisition of property), assistance to minority contractors, and the funding of other economic development or neighborhood revitalization efforts.

Central cities in SMSAs, metropolitan cities with populations of at least 50,000, and certain urban counties having populations of at least 200,000 are eligible for CDBG funds on an entitlement basis. In addition, small cities having populations of 50,000 or fewer are eligible for funds.

Funds are distributed on the basis of a two-tier formula adopted in 1977. The original 1974 formula was based on population size, poverty, and overcrowding; the new formula takes into account the lag in population growth, age of housing stock, and poverty. Jurisdictions applying for CDBG funds may use whichever formula results in higher funding.

c. Department of Housing and Urban Development--Urban Development Action Grant Program (UDAG)

The Urban Development Action Grant program was authorized by the Housing and Community Development Amendments of 1977. These amendments authorized the $400 million per year program designed to stimulate joint public-private ventures to attack local economic and physical distress.

UDAG's purpose is to assist distressed cities and urban counties in the alleviation of economic and physical deterioration by the stimulation of commercial-industrial development and neighborhood reclamation. UDAG assistance may be used for any activity for which CDBG funds may also be used, including land acquisition and the development, construction, or rehabilitation of public, commercial or industrial facilities. They may not, however, be used for planning purposes. Solid private sector commitments are required before UDAG funds are awarded. The requirement is based on the premise that the private sector is vital to the carrying out of economic development and neighborhood projects.

Under the UDAG program, eligible cities and urban counties must have demonstrated, to the satisfaction of the Secretary of HUD, results in providing housing to low- and moderate-income persons and in providing equal opportunity in housing and employment for both low- and moderate-income persons and minority group members. In addition to the demonstration of program effectiveness, the cities and urban counties must meet certain distress criteria.

Funds for the UDAG program are awarded by the HUD national office. There is a requirement that 25 percent of the funds must be set aside for cities with populations under 50,000 that are not central cities of SMSAs.

d. Department of Agriculture Farmers Home Administration (FmHA) --Business and Industry Loan Program

The FmHA Business and Industry Loan Program (B&I) is authorized by the Rural Development Act of 1972. That legislation authorized the Secretary of Agriculture to make and insure loans to public, private, or cooperative organizations (profit or nonprofit), and to Indian tribes and individuals. Such loans may be for the purpose of improving, developing, and financing business, industry, and employment and improving the economic and environmental climate in rural areas. Loan activity, primarily in the form of loan guarantees, has grown from $181 million in fiscal year 1974 to $1.1 billion in FY 1979.

Within the general authority of the Act, the Administration has established the following operational priorities for the program:

--Preservation of existing jobs;

--Expansion and improvement of existing businesses and industries;

--Creation of new jobs; and

--Stabilization of local area economies.

Areas with populations of 50,000 or less are eligible under the B&I program. In practice, the agency gives priority to areas with populations of 25,000 or fewer persons. Funds are allocated among the States on the basis of a formula that takes into account each State's proportion of rural population to the national rural population. At the State level, applications are received and acted on a first come, first served basis.

e. Community Services Administration (CSA) --Office of Economic Development

Under the Community Economic Development title of the Community Service Act, the Director of the CSA (which replaced the Office of Economic Opportunity) may make grants to Community Development Corporations (CDCs).[4] CDC programs may include:

-- Community and commercial development including (1) programs which provide financial and other assistance to start, expand, or locate businesses in or near the area served to provide employment and ownership opportunities for residents, and (2) programs for existing small businesses located in, or serving residents of, such areas;

-- Physical development programs including industrial parks and housing activities;

-- Training and employment programs including coordination with CETA programs; and

-- Social service programs that support or complement the development effort.

Budget levels for CSA's community economic development activities have been static for the past few years. As a consequence, new CDCs are not being funded. Some 40 CDCs are currently funded, although some of them are functioning with planning grants only and may not become fully operational. A small Office of Economic Development, located in Washington, D.C., is responsible for funding and overseeing the federally supported CDCs.

2. State and Local Government Economic Development Programs

State Governments, like the National Government, have broad powers that can and do affect development within States. Highway and transportation programs, public works, and standards for and assistance to the education and training systems can have a direct influence on economic development. Despite these powers, few States have attempted until recently to use them in a coordinated way to influence development. Instead, they have tended to rely on their taxing powers (and those of the cities and counties) to provide financial incentives to induce development.[5]

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[4]/Community Development Corporations are defined as nonprofit organizations responsible to the residents of the areas which they serve and as enterprises that are more than 50 percent owned by the CDC.

[5]/Widner et al., Economic Development; See also R. Schmenner, "Industrial Location and Government Policy," Economic Development Policies to Reduce.

Many States have employed strategies to make the tax climate attractive to firms willing to locate or expand there. These strategies may include adjustments to tax structures and rates. Another, not mutually exclusive, technique is to offer specific incentives, such as specific exemptions, tax abatements, or preferential assessments.

Other financial incentives include industrial development bond programs that permit States to provide lower cost capital to firms by virtue of the tax-exempt status of the bonds that are issued by State and local governments. Another device is the provision to firms of low cost or no cost public services such as roadways or utility hookups.

Specific applications of State financial incentives vary widely--too widely to summarize quickly. However, some State programs are worth noting. During the 1970's, a few--notably California, Massachusetts, and Michigan--advanced comprehensive policies that have attempted to devise methods for directing economic development in particular ways. The Massachusetts growth policy, for example, was directed toward urban growth and revitalization. The Southeastern States have developed policies that seek explicitly to incorporate Federal employment and training assistance into their approach. South Carolina is often cited in this regard.[6/] Much of the impetus for State and local government involvement in economic development and related programs resulted from the growth of Federal programs and their associated incentives during the 1960's.

3. Private and Community-Based Economic Development

There is a wide spectrum of private and community-based development activities. In their survey, Widner[7/] and his associates classified them under these groupings:

--Private organizations

--Mixed public/private groups

--Community-based organizations

Private organizations have undertaken a variety of approaches. In some cases, single companies have taken the lead in the redevelopment of cities. Sometimes they are retailers and in other instances, banks and utilities. A contemporary example is the Control Data Corporation which has undertaken a large-scale program of establishing inner city plants, creating

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[6/] Schmenner, "Industrial Location and Government Policy," Economic Development Policies to Reduce.

[7/] Widner et al., Economic Development.

business service centers for small businesses, and providing leadership to a new company that provides technical and other assistance in establishing inner city firms.8/

Blue ribbon groups typically have played a role in local economic development activities in urban areas. Their activities have been directed toward general development and revitalization but not necessarily toward the structurally unemployed.

Mixed public/private organizations are providing assistance and leadership in economic development in a number of places. Many go by the generic name, economic development corporations; they operate in a variety of ways. Some serve as links between organizations such as the Chamber of Commerce and the city government; in other places they serve as the operating arm of government; and in still others, they function as technical assistance/capacity building groups. Several such groups have been established recently to work in the employment and training area specifically. There is as yet little evaluation literature on their effectiveness.

The Private Industry Councils (PICs), which were established pursuant to the Private Sector Initiative Program in title VII of CETA in 1978, are among the newest public/private entities created to facilitate cooperation and coordination between the business sector and employment and training programs. Although the original mission of the PICs was to foster public/private cooperation in employment and training programs, some have moved aggressively into economic development activities. Economic development was added legislatively to the PICs' mission in the 1980 extension of title VII.

Many of the better-known community-based organizations developed and grew to their present size and prominence in the period since the mid-1960's. The nationally-known organizations include the Opportunities Industrialization Centers (OIC), SER-Jobs for Progress (SER), and the National Urban League. OIC and SER were developed and expanded around issues of training and jobs, while the Urban League, a much older organization, added training and jobs to a preexisting agenda. All of these, plus some lesser known independent organizations (such as The East Los Angeles Community Union (TELACU), The Watts Labor Community Action Committee, The Woodlawn Organization, Harlem Commonwealth Council, and others) have moved into the economic development field with emphasis on community-based development that seeks to expand community ownership, increase employment in the community, and improve social services.

8/Panel, "Economic Development and the Private Sector," Economic Development Policies to Reduce.

This chapter has demonstrated the wide variety of economic development programs that exist within the Federal, State and local governments and within the private sector. In the next chapter the effectiveness of these programs, as a group, is considered.

IV. THE EFFECTIVENESS OF ECONOMIC DEVELOPMENT POLICIES IN REDUCING UNEMPLOYMENT

A. Introduction

As seen in the previous chapter, the many economic development programs have a common set of characteristics: localities are looked at primarily as individual, rather than interconnected, subnational economies; the programs focus on job-retention and expansion in the industrial and service sectors; and the policies they use to achieve these goals are directed at stimulating private sector investment.

There are several ways that growth in the private sector's capital stock might be stimulated. One is to increase demand for the goods which the capital, in combination with workers, produces. To satisfy such an increased demand, firms would be encouraged to increase their productive capacity. Another, not mutually exclusive, way would be to lower the price of capital. At a lower price firms would demand more capital, using it either to expand output or, for a given level of output, to substitute it for labor which is now more expensive (relative to capital) than it had been. Finally, investment in plants and equipment would be encouraged if the supply of funds (such as savings) available for this investment were enlarged.

Policies to stimulate private sector investment by (1) lowering the price of capital and (2) increasing the supply of available funds are currently a topic of much discussion.[1/] They are a major part of what has come to be termed "supply side economics." However, it is important to note that these policy thrusts are not new. Programs that lower the price of capital and increase the availability of funds for investment have been, and are, critical components of economic development efforts.

Recently there have been two proposals, reflecting the perspective of "supply-side economics," which would affect investment in distressed areas. One is concerned with total national investment and the way in which the tax structure can be used to lower the cost of capital and thereby stimulate new capital formation.[2/] The other is aimed directly at the development problems of individual communities: it seeks to stimulate investment in targeted areas across the nation by lowering the price of both capital and labor for firms located in these areas.[3/]

1/ Policy options to stimulate investment nationally are discussed earlier in this Report.

2/ For example, see the Tax Reduction Act of 1980, H-5829, September 15, 1980.

3/ Urban Jobs and Enterprise Zone Act of 1980, S-2823, 96th Congress, 2nd Session, June 12, 1980.

At this point little is known about the effect on distressed regional or local economies of either national investment policies or the many area-specific programs described in Chapter III. Even less is known about the overall impact that national, in combination with area-specific, investment programs have on the employment and earnings prospects of residents of distressed areas.

Knowledge about these issues is limited, due largely to the complexity of the interactions involved.[4/] Resolving the issues requires a methodological framework that fully incorporates (1) the linkages among industries and their capital requirements both within and across geographic areas, (2) the movement of workers of different skill levels into, out of, and among labor markets, and (3) the complementarity between, and substitutability of, workers and capital in producing an output. It also requires the appropriate data. Only recently have some of the parts necessary to resolve these issues been addressed.[5/]

Thus this chapter has a limited focus. It presents what is known about the effectiveness of the approach taken by current development programs in achieving their desired goals of increased employment and earnings of local area residents. While there are many differences in the specifics of the various development programs, as noted earlier, they are similar in the approach they take to stimulating development. In particular, they seek to (1) lower the price of capital in distressed areas, recognizing that the "high cost of doing business" may work against private sector investment; (2) increase the availability of funds for firms and organizations willing to invest in these areas and (3) enhance the managerial and technical expertise of firms and organizations located there.

[4/] In particular, see the discussion on page 25 of G. Vernez, R. Vaughan et al., Federal Activities in Urban Economic Development (Santa Monica, California: Rand Corporation, April 1979).

[5/] For example, see W. Oakland, "Alternative Models for Assessing Regional Public Policy Impact," in COUPE Papers on Public Economics: Interregional Movements and Regional Growth, ed. W. Wheaton (Washington, D.C.: The Urban Institute, 1979); D. Hamermesh and J. Grant, "Econometric Studies of Labor-Labor Substitution and Their Implications for Policy," Journal of Human Resources 14, no. 4 (Fall 1979); W. Oakland, Y. Horiba and A. Zelenitz, "Effectiveness of Alternative Demand Policy in Reducing Structural Unemployment," Economic Development Policies to Reduce.

There are three parts to this chapter's presentation: first, an assessment of the efficiency of using a location's characteristics as criteria for the provision of development assistance; second, an examination of alternative ways of encouraging investment in a particular area, especially one that is economically distressed; and a review of what happens to the structurally unemployed as a result of development efforts to increase an area's capital stock.

B. Using Locational Characteristics to Target Development Assistance

This section considers some of the problems involved in attempting to direct investment (and hence, jobs) from the national to the local level on the basis of high rates of unemployment or poverty and large numbers of unemployed or economically disadvantaged persons. The problems discussed are economic, political and statistical in nature.

Targeting private sector investment to local labor markets (such as an urban area) with high rates of unemployment and poverty assumes that such investment will alleviate these problems. However, there are several different reasons why the problems may exist. High rates of poverty may be due to the prevalence of low-wage industries and a lack of skills among the population as well as unemployment. High rates of unemployment may also have different sources; these were given in Chapter II and are listed again below, this time with associated policy responses.

Reason	Response
1. "Shocks" to local economies that occur at different times to different places causing temporary increases in unemployment.	Provide unemployment insurance and/or public service employment.
2. Barriers to mobility, such as lack of (moderately priced) housing, prevent the unemployed from relocating.	Reduce specific barrier to mobility; provide jobs where unemployed reside (economic development assistance).
3. Concentrations of low-skill workers who do not move because they perceive they can do no better elsewhere, all things considered.	Provide training opportunities to increase the job opportunities of the unskilled at their current location or at a new location.

4.	High rates of in-migration in some areas because of their high wage rates or their physical or cultural attractiveness; in-migration exceeds the growth of job opportunities.	Do nothing; making an already attractive location even more attractive may only induce more in-migration.

Appropriate targeting from the national level to local labor markets would require distinguishing among these reasons and selecting those labor markets experiencing high unemployment because of barriers to mobility (#2 in the list). Without such differentiation among the sources of unemployment, the policy response may be inappropriate to the problem. For example, an area's unemployment rate could be high because the rate at which people are moving into the area exceeds the rate at which employment growth is occuring. In turn, people could be migrating into the area because it has high wages or is physically or culturally attractive (#4 in the list).[6/] Making the area even more attractive by increasing the number of job opportunities there, may only induce additional in-migration.

Targeting investment assistance along geographic lines also has political problems. In order to be responsive to the needs of the areas they represent, elected officals have an incentive to increase--rather than restrict--the number of places eligible for assistance. This typically means broadening, rather than limiting, the eligibility criteria. In the past this has resulted in situations where scarce funds are dispersed widely across the Nation, rather than being concentrated in areas of greatest need.[7/]

[6/] Marston, "Anatomy of Persistant Local Unemployment," Economic Development Policies to Reduce.

[7/] This was seen in the Model Cities and UDAG programs and in the recent debate over EDA legislation. See also Vaughan and Bearse, "Federal Economic Development Programs: A Framework for Design and Evaluation," Economic Development Policies to Reduce; National Governors' Association, National Governors' Association 1980-81 Policies for Community and Economic Development (Denver, Colorado: National Governors' Association, August 1980). Countering this view is the argument of agencies that the discretion they have over the use of funds permits targeting to areas of greatest need. The extent to which they have been successful in their targeting efforts has not been fully resolved. See A. B. Johnson, "Federal Aid and Area Redevelopment," The Journal of Law and Economics 14, no. 1 (April 1971); and R. Martin, "An Empirical Note on Federal Regional Development Programs," Growth and Change 10, no. 2 (April 1979).

Finally, there are statistical problems with targeting monies according to the characteristics of individual local areas.[8] There are two sources of official data on the labor force, employment, and earnings status of individuals. One is the decennial Census; the other is the Current Population Survey (CPS), undertaken monthly. Both sources are of limited usefulness in targeting assistance to individual localities. In the case of the CPS, the data are not sufficiently reliable to permit precise unemployment and poverty figures for individual localities since only about 65,000 households are surveyed. To become reliable, the number of households interviewed would need to be increased substantially. The cost of such action is prohibitively high.[9]

Because the Census of Population surveys the entire population, it does not have the data limitation problems of the CPS. However, over time the economic and demographic characteristics of neighborhoods (and Census tracts) often change and the reliability of Census data in describing individual localities diminishes as the decade proceeds.

In addition, because both the Census and the CPS are household surveys, the local area unemployment and poverty rates that they provide indicate where the unemployed reside, not where they might potentially work. This implies problems with using data from households to define the geographic boundaries within which new jobs would be created. Specifically, the smaller the geographic boundaries of the target area, the greater the probability that new jobs will be located in the midst of a residential area. At the extreme, if there are no empty lots or abandoned buildings, it is possible that housing units would need to be demolished to provide sufficient space for the new industrial or commercial establishments. On the other hand, there are also problems with defining the geographic boundaries of a target area too broadly, such as those implied by SMSAs or by the Bureau of Economic Analysis. The commuting distance which is implied under these definitions is greater than that typically available to the disadvantaged groups at whom the development assistance is being directed.[10]. Further, the precise commutation patterns which exist in individual local labor markets differ widely, according to housing and zoning patterns, as well as transportation networks.

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[8]/See Madden, "The Geographic Targeting of Job Programs," Economic Development Policies to Reduce.

[9]/See H. Goldstein, "State and Local Labor Force Statistics," Data Collection Processing and Presentation: National and Local, Counting the Labor Force Appendix, Vol. II (Washington, D.C.: National Commission on Employment and Unemployment Statistics, Labor Day, 1979).

[10]/See Madden, "The Geographic Targeting of Job Programs," Economic Development Policies to Reduce.

There are also problems with using area-specific unemployment rates and income measures to estimate the outcome of development programs. Some of the problems stem from the fact that local economies are "open" to both in- and out-commuting, and in- and out-migration. Specifically, the newly created jobs may go to persons living outside the area, who commute to it for work. In this case, the unemployed and disadvantaged residents of the area may be little affected by the development program, and high rates of unemployment and poverty would continue for the area. Alternatively, the newly created jobs could go to workers who subsequently move into the area and thereby effectively force the present unemployed, low-income population to move elsewhere. In this case, the one area's unemployment and poverty rates would decline. However, because the economic problems of the individuals remain, the unemployment and poverty rates of the areas to which they move would rise. Finally, even in the absence of commuting and migration, a locality's unemployment rate may rise (or remain high) coincident with rising employment opportunities. Workers previously out of the labor force may be attracted by the possibility of jobs and begin to search for work.

C. Options for Stimulating Private Sector Investment In Distressed Areas

The previous section outlined the problems involved in targeting development assistance from the national to the local level. Here we consider the effectiveness of such assistance in achieving its goal--increasing the capital stock of the private sector in economically distressed areas. There are several ways in which the capital stock of an area might be expanded. Firms could be encouraged to in-migrate[11]; the expansion of firms and organizations already in the area could be encouraged; and the establishment of new firms could be stimulated.

1. Development Programs as a Locational Incentive

When a firm decides to expand its capacity, three location options are available: it can expand at its existing site, locate an additional facility elsewhere, or relocate the entire plant. Among those three choices, onsite expansion is the most preferred among manufacturing firms due to cost considerations and the speed with which it can be accomplished. Opening a new plant or relocation becomes the preferred option when problems of plant management (due to product proliferation or size of work force) would arise with expansion at the existing site. Relocation decisions also become ways of introducing new technologies and new labor-management relationships into the production process.

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[11]/This in-migration includes the relocation of existing firms and the location of new branch plants of established firms.

Research has shown that relatively few firms choose to relocate. Among manufacturing firms in New England, for example, it has been found that "Roughly, between 6-9 percent of all plants actually expand on site during any one year. This compares with about 1-3 percent per year which are new branch plants and with the about 3 percent per year which are mover plants."12/ Further, when plants do move, they tend to be "short-distance" movers, relocating within 20 miles of the old site.13/

When a large firm decides to relocate or open a new plant elsewhere, the site-selection process is often completed within 6-12 months. The process itself is complex: it involves selecting among regions or States, among local areas within the State, and then selecting the actual site. In general, three factors appear to stand out as important influences on this decision: the quality of life in the area, the proximity to supplies and resources, and low labor costs. Of course, there are important variations in these factors among industries. For example, "quality of life" is more important to "high tech" firms than to firms within agricultural-related industries. Also "low labor costs" are important to industries which use labor relatively intensively (such as furniture and textiles), but are relatively unimportant to the heavy-metals and some of the other more capital-intensive industries.14/

12/R. Schmenner, "Summary of Findings, The Manufacturing Decision: Evidence from Cincinnati and New England," Report for U.S., Department of Commerce, Economic Development Administration, Office of Economic Research (Washington, D.C.: U.S. Department of Commerce, Economic Development Administration, Office of Economic Research, March 1978); D. Birch, "The Job Generation Process," Report for U.S. Department of Commerce, Economic Development Administration, Office of Economic Research (Washington, D.C.: U.S. Department of Commerce, Economic Development Administration, Office of Economic Research, 1979).

13/Schmenner, "Industrial Location and Government Policy," Economic Development Policies to Reduce; C. Jusenius, "Documenting the Decline of the North and 'Rise' of the South (or Vice Versa)," Economic Development Research Report (Washington, D.C.: U.S. Department of Commerce, Economic Development Administration, Office of Economic Research, November 1977); C. Jusenius and L. Ledebur, Where Have All the Firms Gone? An Analysis of the New England Economy, Economic Development Research Report (Washington, D.C.: U.S. Department of Commerce, Economic Development Administration, September 1977).

14/See Schmenner, "Industrial Location and Government Policy," Economic Development Policies to Reduce.

Of particular interest here is the effect that various development policies have on the location decision. In this context it is important to distinguish not only among Federal, State and local policies, but also between those which are automatic (such as a lower property tax rate) and those for which an application is necessary.

Overall, the evidence indicates that financial inducements do not play a major role in the location decision, particularly among economically healthy firms. To the extent that financial incentives are considered, State and local programs (differential tax rates, in particular) outweigh in importance Federal efforts.15/ Even here, State-level programs matter only for the "long-distance" movers--the number of which seems to be relatively small.

There have been several Federal government attempts to attract firms to high unemployment areas (such as inner cities) by lowering the price of capital for those that agree to locate there. The argument for such programs is the "high cost of doing business" in these distressed areas. Specific assistance has often taken the form of infrastructure, such as the creation of an industrial park or a parking garage.16/

In the late 1970's there was a major policy thrust to use Federal monies in this manner, i.e., to "leverage" location-specific private sector investment. However, this was not a new idea. During the years of the Area Redevelopment Administration and into the early period of the Economic Development Administration, attempts were also made to link public and private sector investment. The approach, termed "a bird in the hand," required an area to guarantee that a private firm would locate there before public monies would be expended to build, for example, an industrial park. This type of linkage proved difficult to achieve and gradually a less restrictive approach was taken toward funding infrastructure. Specifically, EDA began to fund industrial parks even though there was little or no indication that firms would locate in them.17/

15/See Schmenner, ibid.; and G. Cornia et al., State-Local Fiscal Incentives and Economic Development, Urban and Regional Development Series No. 4 (Columbus, Ohio: Academy for Contemporary Problems, June 1978). Both of these reports provide surveys of the literature on this topic.

16/UDAGs are an example of this type of program.

17/Studies undertaken in the early 1970's indicated that these parks had low utilization rates. The studies are summarized in S. Levitan and J. Zickler, Too Little But Not Too Late (Lexington, Massachusetts: Lexington Books, 1976).

It is not clear that present-day attempts to "leverage" private sector investment operate as intended. Some downtown areas have been revitalized with the use of EDA or UDAG monies (for instance) and private sector capital. Still, Federal development monies have been expended as an incentive to private sector projects that would have been undertaken in any case.18/

To be effective, these programs must alter the locational decision from that which would otherwise have occurred. In turn, this requires comparing the cost of siting in the distressed area with that of locating in a nondistressed area.

Relatively little work has been done estimating the size of such cost differentials. One study, which examined the city of Boston and its suburbs, found that depending upon the particular sites which were compared, the cost of locating in the city was from 23-100 percent higher than in the suburbs.19/ This suggests that a sizable cost-offset would need to be offered if it were to be an effective enticement to a firm.20/

Administrative problems have been offered as reasons for the lack of influence of those Federal programs that require an application. First, there is the large number and the complexity of the programs, in combination with a lack of "up-front" communication between the Federal agencies and the firms. Second, the length of time required to process such an application often exceeds the amount of time a firm has allotted for the location decision.21/ And third, since most of the Nation qualifies under one or another of the Federal programs, firms

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18/U.S., General Accounting Office, Improvements Needed in Selecting and Processing Urban Development Action Grants (Washington, D. C.: U.S. General Accounting Office, March 30, 1979); Centaur Associates, Inc., Economic Development Administration Title I Public Works Program Evaluation (Washington, D.C.: U.S. Department of Commerce, Economic Development Administration, September 1980).

19/A. Hamer, Industrial Exodus from Central City (Lexington, Massachusetts: Lexington Books, 1973) as cited in D. Puryear and R. McHugh, "Private Sector Tax Credits for Urban Revitalization," paper presented at a conference, "A Federal Response to the Fiscal Crisis in American Cities," sponsored by U.S., Department of Commerce, Economic Development Administration, Washington, D.C., June 15-16, 1979. See also the discussion in Vaughan and Bearse, "Federal Economic Development Programs: Framework for Design and Evaluation," Economic Development Policies to Reduce.

20/See also the discussion in Vaughan and Bearse, ibid.

21/The UDAG program of HUD may be an exception here since applications must be acted upon within 60 days.

seeking a new site feel "it is much easier to find a location and then determine the programs, if any, for which (they) are eligible."22/

2. Development Programs to Stimulate Investment by Firms in an Area

Over the past decade the use of financial incentives to attract firms to particular areas has grown considerably, especially at the State and local levels. But there is now an increasing awareness that such competition at the State or local level may be wasteful. From a national perspective, it produces "beggar thy neighbor" outcomes: one area's gain is achieved at the expense of another. Also, from a local perspective, the financial inducement offered may prove to be too large when compared with the cost of public services that must ultimately be provided and the loss in tax revenues associated with the displacement of already established, but competing, local firms. Awareness of these issues is starting to lead States and localities to seek ways in which they can build up their economic capacity by relying on their own entrepreneurship, industries and work force.

In distressed areas, particularly, there are barriers to increasing the capital stock of existing firms and organizations. While the high cost of doing business is one such barrier, others have been found to be of greater importance. First, there are problems of capital availability (loans). Sometimes this problem manifests itself in a small-business person's lack of personal contacts within the financial community or lack of the skills necessary to convince a loan officer of a project's viability. Other times financial institutions may be uninterested in making small loans given the alternative opportunities available. An extreme example of this particular problem is found in New York City where the financial community has turned to international markets and has become less interested in making small ($1 million or less) loans within the city. This problem led to the creation of the Equity Capital Corporation--an intermediary financial institution that combines Government and private funds to make them available to smaller enterprises.

Loan and loan guarantee programs attempt to alleviate some of the problems of capital availability. However, most of the Federal funds are directed toward longer-term financing for older firms. A major gap in the capital market lies in venture capital for many types of new firms, and long-term debt

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22/The Fantus Company, Inc., "Industrial Location: Processes, Factors, Trends," Presentation at the White House, April 8, 1980.

financing for small- and medium-size ones.[23]

Another barrier to the development of "own capital" lies in the lack of "institutional capacity" within a local population to recognize opportunities for investment, [24] to access relevant Federal programs, and to manage small, locally owned enterprises.[25] In this context, institutional capacity means having the technical and managerial expertise to plan, implement, or maintain a successful project. It also means having knowledge of relevant Federal programs and how to gain access to them. Finally, it means having the organization or institutional body necessary to apply for and receive development assistance.

Problems of institutional capacity seem to be particularly acute in rural areas and small towns. As an evaluator said to a member of the Commission staff, "You are really facing a different order of things when you go into a little town where the largest local business is the filling station at the crossroad."

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[23] See J. Howell, "Business Capital Needs in the Frostbelt," in Mobilizing Capital, ed. P. Bearse (New York: Elsevier, North Holland, forthcoming 1981); Vaughan and Bearse, "Federal Economic Development Programs: Framework for Design and Evaluation," Economic Development Policies to Reduce; C. Callahan, "A Look into Venture Capital," Mobilizing Capital For Economic Development: Institutional Innovation and the New Urban Policy, ed. P. Bearse (Princeton, New Jersey: Center for New Jersey Affairs, Woodrow Wilson School, Princeton University, August 1978); U.S., Small Business Administration, Report of the SBA Task Force on Venture and Equity Capital for Small Business (Washington, D.C.: U.S. Small Business Administration, January 1977); White House Conference on Small Business, Preliminary Conference Report (Washington, D.C.: White House Conference, January 13-17, 1980). See also U.S., General Accounting Office, Comptroller General, Legislation Needed to Establish Specific Loan Guarantee Limits for the Economic Development Administration (Washington, D.C.: U.S. General Accounting Office, January 1979).

[24] An example of "recognizing opportunities" is the Wanchese Harbor Development Project in North Carolina. It is a Federal, State and county financed project devoted to building up a new seafood processing and fishing industry in the area. In addition to using Federal development (EDA) funds, CETA dollars are being employed to train people in various marine crafts. See MDC, Inc., The North Carolina Rural Employment Laboratory: A Demonstration of Facilitator's Role in Collaborative Rural Development, First-Year Final Report (Chapel Hill, North Carolina: MDC, Inc., May 1980).

[25] See the comments by R.E. Stewart. Panel, "Economic Development and the Private Sector," Economic Development Policies to Reduce.

Technical assistance programs are intended to provide the help needed to overcome these problems. But new and different types of support appear to be needed.[26] The assistance required to help an individual town or community/neighborhood group open or maintain an enterprise or (re)build needed infrastructure must often be carried out on a one-to-one basis and over a long period of time. Also, it must often be oriented toward practical problems, which may or may not be related to any specific government program.

D. The Effect of Economic Development Programs on Local-Area Unemployment

Economic development administrators have recognized that the private sector investment stimulated by their programs may not directly produce jobs for the unemployed residents of an area. However, it has been argued that at least some jobs will become available to them because of a "trickle-down" effect. Vacancies will occur in firms which the new employees have left. Also, jobs will be indirectly created by the newly employed workers; they will spend a portion of their income on goods and services and thereby increase local area demand for workers who produce and sell these goods and services. This process of indirect job creation is called the "multiplier effect."[27]

Questions have been raised about relying on this trickle-down effect as the means by which the unemployed become employed.[28] For individual workers, this view assumes that a match exists between the skills demanded in the jobs and the skills which the unemployed have. For the local economy, the size of this trickle-down effect will vary, depending upon

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[26] Vaughan and Bearse, "Federal Economic Development Programs: Framework for Design and Evaluation," Economic Development Policies to Reduce; National Governors' Association, Policies; Centaur Associates, Inc., Title I Public Works.

[27] The multiplier effect has several rounds. Workers whose jobs have been indirectly created by the firm also spend some portion of their income in the area and thereby create additional jobs. This process continues until the initial employment impact of the firm has worked its way through the local economy. It does not go on "forever" because of "leakages" in the system, i.e., some portion of income is saved (not spent) and another portion is spent outside the local area.

[28] Both the Ford and Carter administrations recognized the problems inherent in this trickle-down effect and attempted to link directly jobs created by the development programs with the employment needs of the structurally unemployed. See the discussion of these efforts in Chapter V.

several factors, such as the industrial structure and the extent to which the newly hired work force commutes into the area rather than resides (and purchases goods and services) in it.

For our purposes, there are two issues which need to be addressed. First, how many new jobs are created directly and indirectly within a local economy as a consequence of development-induced private sector investment? Second, how many of these jobs go to the structurally unemployed? Little solid empirical research has been done on either of these questions.

Research on the size of multipliers within ghetto areas suggests that they are small. In other words, residents of these areas spend relatively little of their income within their neighborhoods and the trickle-down effect is small.[29]

Generally, however, figures on the number of jobs directly and indirectly created by specific development projects are typically rough estimates--as sometimes noted by the researchers themselves.[30] Several methodological and data problems which preclude reasonable estimates of the total job creation effect of development assistance have not been resolved.[31]

Further, little work has been done estimating the extent to which the structurally unemployed obtain jobs as a consequence of the development programs. On theoretical grounds, there are reasons for believing that employment opportunities for unskilled workers in urban areas will not be improved as a result of economic development programs.[32]

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[29]W. Oakland, F. Sparrow, and H. L. Stettler III, "Ghetto Multipliers: A Case Study of Hough," Journal of Regional Science 2, no. 3 (1971).

[30]Centaur Associates, Inc., Title I Public Works.

[31]Some of these issues are discussed in N. Glickman, "Methodological Issues and Propsects for Urban Impact Analysis," The Urban Impacts of Federal Policies, ed. N. Glickman (Baltimore: The Johns Hopkins Press, 1980). Also, it has been shown that depending upon the technique employed, the number of jobs indirectly created in an area will vary substantially. See B. von Rabenau, The Economic Develoment of Bryan County with Special Reference to the Retail and Industrial Sector (Columbus, Ohio: Ohio State University, Department of City and Regional Planning, March 1976).

[32]Oakland, Horiba, and Zelenitz, "Effectiveness to Alternative Demand Policy in Reducing Structural Unemployment," Economic Development Policies to Reduce.

As a practical matter, Federal agencies involved in development activities have not systematically collected information on the characteristics (for example income, work experience and education) of the people hired as a consequence of these programs. A few special surveys have been undertaken in an attempt to gain this information. The results are reported here despite a major drawback: these surveys reported the number of unemployed persons who found employment, but did not differentiate between the long-term unemployed who had little labor force experience and those who were experiencing a short spell of cyclical or frictional unemployment. Still, since these are some of the few surveys that have been undertaken, the results are reported here.

One survey, undertaken in the mid-1960's, looked solely at the characteristics and labor force status of the workers in newly opened plants. It was found that almost 50 percent of the new workers had previously been unemployed. Among men, another 42 percent had previously been employed full or part time; and among women, another 36 percent had previously been out of the labor force.33/ A second survey, undertaken in the late 1960's, looked not only at the new firms' employees, but also at the positions which these employees had left. Findings here indicated that about 70 percent of the new jobs were filled by previously employed workers. Of the vacancies these workers created, one-third were filled by previously employed persons and one-fifth by those who had been unemployed; the rest of the jobs were eliminated.34/

As described in detail in the next section, under the Employment Initiatives, development agencies are using the power of their financial assistance to leverage jobs for the structurally unemployed in the firms that receive program monies. Plans are underway to monitor the results of this effort. The data derived from this monitoring effort should provide some information on the empirical relationship between economic development assistance and jobs for the structurally unemployed.

Even without good data, it is possible to examine alternative ways of directing development assistance so that employment opportunities for this group will be realized. Four not mutually exclusive options are discussed below.

33/W. Mierryk, "Local Labor Market Effects of New Plant Locations," in Essays in Regional Economics, eds. J. Kain and J. Meyer (Cambridge, Massachusetts: Harvard University Press, 1971).

34/Chilton Research Services, Multiple Job Shifts Associated with EDA Business Loans, Report for the U.S., Department of Commerce, Economic Development Administration (Philadelphia, Pennsylvania: Chilton Research Services, June 1970).

One option would be to target the programs on those types of industries that use labor, particularly low-skill labor, relatively intensively in their production processes. This policy would require knowledge of both the characteristics (e.g., education, work experience) of the structurally unemployed and the hiring requirements of specific industries. With this information, policymakers could be reasonably assured that in selecting among the firms that apply for the program, ones would be chosen that employ relatively large numbers of the otherwise unemployed.

Under this approach, the growth of certain industries would be encouraged. It would need to be determined whether these are industries that one would wish to stimulate on other grounds, such as productivity and international balance of payments concerns. It does appear that they would be industries in which the U.S. does not have a comparative advantage internationally. Rather, this economy's advantage lies in industries that tend to employ highly skilled workers.35/

Another option would be to require that some proportion of a firm's newly hired workers be from the ranks of the structurally unemployed. Here it would be necessary to determine the appropriate proportion. If a policymaker chooses a proportion below that which would have been hired anyway, the requirement will have no net employment effect. On the other hand, if the required proportion of otherwise structurally unemployed persons is excessively high, firms are unlikely to apply for the investment-incentive program. Thus, to be effective, the required proportion must be between these two limits. This requires the policymaker to have detailed knowledge of the technical nature of the production processes of all industries.36/

A third option would be to encourage the growth of those community and neighborhood groups that are organized to serve the communities in which the structurally unemployed reside. These groups include CDCs, such as those funded by the Community Services Administration, local community- and neighborhood-based organizations, and those community-based organizations affiliated with national ones, for example, The Urban League, SER, and OIC.

35/See "The Impact of Changes in Manufacturing Trade on Selected Employment Patterns-Progress Report," in Trade and Employment, Special Report No. 30 (Washington, D.C.: National Commission for Employment Policy, November 1978).

36/See the discussion in Oakland, Horiba, and Zelenitz, "Effectiveness of Alternative Demand Policy in Reducing Structural Unemployment," Economic Development Policies to Reduce.

These groups are more likely to use economic development funds in ways that involve people within their communities than in ways which displace the residents. Without community involvement, development has often meant that deteriorated and abandoned buildings are either demolished or upgraded. Low rent districts become high rent, and property values increase. This benefits the property owners, but in some cases has also led to the displacement of the structurally unemployed and disadvantaged resident population--the group the development programs are designed to serve.37/

In some instances the approach being taken by CDCs and CBOs to revitalize their communities seems to approximate closely the traditional meaning of economic development given in Chapter II. That is, they attempt to create jobs, replenish the housing stock, expand the service sector, and through training and technical assistance, increase the skills and managerial expertise of the local labor force.38/

On the other hand, there are limitations to a major Federal government policy effort in this direction, at least in the near future. First, relatively few such groups currently exist, considering the size and geographic distribution of the structurally unemployed population as well as the dimensions of the capital abandonment problem, particularly in some urban areas. Second, not all of these groups presently have the technical and managerial capacity to utilize effectively the sums of money that would be necessary to (re)build their communities. Finally, with this approach, the growth of certain types of jobs would be stimulated. It would need to be determined whether these jobs are consistent with the long-run economic well-being of their incumbents. Also, as with the first option discussed, it would need to be determined if these jobs were consistent with the long-run interests and goals of the total local or national economy.

The final option would be to make training programs for the structurally unemployed and underemployed an integral part of economic development assistance, regardless of the firm that received it. With this policy, a firm's hiring requirements are taken as stated; no investigation would be necessary. Unskilled and semiskilled workers would become skilled. This would have the effect of raising the workers' earnings and simultaneously creating vacancies for unskilled and semiskilled

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37/Oakland, Horiba and Zelenitz, ibid.; Vaughan and Bearse, "Federal Economic Development Programs: Framework for Design and Evaluation," Economic Development Policies to Reduce.

38/Based on site visits of the Commission's staff.

workers in firms which these upgraded workers had left.[39]

This is the policy option that was selected under the Community Economic Development Program and more recently, the Employment Initiatives. Evidence on these efforts indicates that to be successful, there must be close cooperation at the local level among economic development officials, the firm's managers and members of the training community. At the same time, it is being found that institutional, administrative and attitudinal barriers to such cooperation exist.[40] These barriers and some efforts to overcome them are the topic of the next chapter.

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[39]See also the discussion in Oakland, Horiba, and Zelenitz, "Effectiveness of Alternative Demand Policy in Reducing Structural Unemployment," Economic Development Policies to Reduce.

[40]For example, see J. Scales, "Linking Economic Development and CETA Programs: A View From the Field," Economic Development Policies to Reduce.

V. LINKING TRAINING AND ECONOMIC DEVELOPMENT PROGRAMS: PROBLEMS AND PROSPECTS

> Unfortunately, there is really no topic which is so dull as government organization. It's dull for two reasons--one, it is complicated, and, two, most people think it's hopeless. That combination of being really difficult and hopeless kind of makes your eyes glaze over and say: let God handle reorganization.
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> --A member of the White House Domestic Policy Staff, 1978

A. Introduction

Whether or not a policy is effective often hinges on the way in which it is delivered. In the case of economic development and training programs, issues of delivery systems are particularly complex, for so many programs exist at the Federal, State and local levels.

At the Federal level there are five different development programs; they are legislatively and administratively separate and independent.[1/] At the same time, they are authorized to provide the same or similar services to the same geographic areas. Moreover, these programs are independent from the Department of Labor's employment and training programs. And at the State and local levels, with a few exceptions, economic development activities are separate from the other major training institutions, e.g., the vocational education system.

Economic development programs are concerned with the provision of capital: investment incentives to the private sector, and infrastructure to the public sector. Economic development programs usually have long lead times for planning, land assembly, and construction. By contrast, employment and training programs focus primarily on individuals and generally operate within a shorter time span than development programs (the average duration of training in a CETA title II training program is less than 6 months). [2/]

Despite the differences between the two types of programs, over time there have been efforts to forge links between them. Section 241 of the Manpower Development Training Act of 1965 provided for efforts to concentrate training services under

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[1/] Chapter III above.

[2/] Estimated from the Statistical Appendix, U.S., Department of Labor, Employment and Training Report of the President (Washington, D.C.: U.S. Government Printing Office, 1980 and earlier years).

that Act to distressed areas receiving assistance under the Public Works and Economic Development Act. The Special Impact Program enacted in 1966 as part of the Economic Opportunity Act sought to increase economic activity and employment in certain areas (primarily urban) that were experiencing severe problems of unemployment and poverty. Some 40 Community Development Corporations have been created and are receiving funds under the present version of the Special Impact Legislation.[3]

B. Barriers to Linking Programs

The Domestic Policy staff member quoted at the beginning of this chapter also said, "The problem of getting coherent Federal support for coherent local [development] plans should not be an obstacle course." [4] The process of planning, securing funding for, and administering coordinated economic development and training programs seems currently to be such an obstacle course. Three major barriers have been found to impede the process:

1. Responsibility for economic development programs is diffused at all levels of government. Federal programs come under the jurisdictions of several different authorizing committees in the Congress and are administered by several different departments. Table 4 illustrates the diffusion problem at the Federal level.

It should be noted that this table is rather simplified since it does not include all of the programs that can be classified as being oriented toward economic development. However, it is sufficient to show that fragmentation exists.

As a result of the diffusion of responsibility at the federal level, it is difficult to organize coherent, coordinated efforts at any level. The programs have different funding channels and employ different funding cycles. An example of the resulting problem is the recent delay of a number of Urban Development Action Grant Programs (that were cofunded with EDA grants) because passage of EDA's reauthorization was quite protracted.[5]

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[3] Title I(D), Economic Opportunity Act of 1964, as amended by PL 92-424. Statutes at Large, vol. 86, sec. 697 (1974).

[4] W. Spring, "Elements of a New Urban Policy," Mobilizing Capital For Economic Development.

[5] See Vernez, Vaughan et al., Federal Activities, for additional discussion of this problem.

Table 4. Selected Economic Development Programs, Their Congressional Committee and Administering Agencies[a]

Program	Authorizing Committees: House	Authorizing Committees: Senate	Administering Agency
Public Works and Economic Development Act	Public Works and Transportation	Environment and Public Works	Department of Commerce, Economic Development Administration
Community Development Block Grants and Urban Development Action Grants	Banking, Finance, and Urban Affairs	Banking, Housing, and Urban Affairs	Department of Housing and Urban Development
Farmers Home Administration	Agriculture	Agriculture	Department of Agriculture
Community Development Corporation Grants	Education and Labor	Labor and Human Resources	Community Services Administration

[a]/Chart modified from Vernez, Vaughan et al., Federal Activities.

becoming informed about the programs of other agencies; State and local government officials often appear to lack the skills necessary for planning and developing programs; and local and community officials lack management and administrative skills. The capacity issue is thought to be critical in small towns and rural areas.9/

The pages that follow review and summarize recent legislative and administrative efforts designed to overcome the barriers outlined above. Questions of day-to-day operational obstacles are not examined in any detail.

C. Recent Federal Program Linkage Initiatives

1. The Urban Policy Program

President Carter's proposals for a comprehensive national urban policy were announced in March 1978. In part, they addressed problems relating to program diffusion and fragmentation.

A number of actions have been taken that relate to the employment portions of the urban policy. 10/ Through administrative orders, the President created the Interagency Coordinating Council (IACC) composed of the Assistant Secretaries having principal program responsibilities in the departments concerned with urban affairs. The IACC has undertaken a number of actions to improve coordination between employment and economic development programs and to increase employment in the private sector. In addition to administrative actions, the President has made recommendations for legislation to achieve the urban policy's employment goals.

A Council working group on economic development and private sector jobs was established by the Council Chair. This working group consists of high-ranking officials of the Employment and Training Administration (Department of Labor), Economic Development Administration (Department of Commerce), and Assistant Secretaries or Deputy Directors from Department of Housing and Urban Development, Department of Transportation, Small Business Administration, and Community Services Administration.

9/Staff interviews with MDC, Inc., Chapel Hill, North Carolina, August 26-27, 1980. The MDC staff has been monitoring and providing the technical assistance to employment and economic development projects in rural areas of the South. The Rural Development Policy Act of 1980 (PL 96-355) also addresses the question of rural capacity building.

10/The President's Interagency Coordinating Council, Employment Initiatives (Washington, D.C.: The President's Interagency Coordinating Council, April 1979).

One observer of economic development programs has noted:

> Often, more than one government agency is involved in a specific project or activity. Each government agency has its own procedures and regulations. Meeting these multiple requirements induces delays in both the public and private sectors. An example of the delays created in shared decision-making is found in the operation of three Federal economic and community development programs: the Department of Housing and Urban Development; the Farmers Home Administration (FmHA); and the Economic Development Administration. These agencies operate similar assistance programs for many of the same communities. Many projects are even jointly funded by these agencies. Yet, each of these agencies has differences in their procedures and criteria for selection of projects. Decisions are made at different levels in the respective agencies and in differing geographic locations. 6/

2. CETA programs administered by the Department of Labor appear to be the most difficult to incorporate into a coordinated development effort at the local level. As noted earlier, employment and training programs have a somewhat different orientation than economic development programs. They, however, have been included in some of the recent experiments and demonstrations at the local level. For a variety of reasons, development of effective linkages has proven difficult from the local perspective. These reasons include indifferent program administration at the regional office level, 7/ rigid planning requirements, and an inability to commit funds in the long-term time frames required for economic development projects. 8/

3. There is a lack of capacity at all levels to plan, implement, and administer coordinated development and training programs. This lack of capacity is manifested in several ways: Congressional committee staffs are not conversant with each other's programs; federal agency staffs are only now

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6/Choate, As Time Goes By.

7/See Abt Associates, An Evaluation of The Community Economic Development Program: Long-Term Evaluation and Final Report (Cambridge, Massachusetts: Abt Associates, 1980).

8/Scales, "Linking Economic Development and CETA," Economic Development Policies to Reduce; Panel, "Issues in Delivering Development Assistance," Economic Development Policies to Reduce; Semerad Associates, Inc., "An Analysis of the Potential Role the National Alliance of Business Can Play in Local Economic Development," paper prepared for National Alliance of Business (n.p., October 1980).

According to the IACC announcement, "The primary focus of the interagency group is to develop specific ways to strengthen the ties between Federal economic development programs and employment and training efforts in order to move the structurally unemployed into private sector jobs."

In fiscal year 1979, the working group began a series of activities designed to improve linkages between economic development and employment and training. The elements of the initiative are as follows:

-- establishing program requirements for linking economic development and employment and training programs;

-- federal interagency coordination to promote private sector jobs for the disadvantaged;

-- a targeted jobs demonstration program; and

-- improved regional coordination.

A memorandum of agreement was executed by the members of the working group to undertake the changes implicit in the elements listed above. In addition, each of the agencies plus the Farmers Home Administration, Department of Agriculture, has entered into a bilateral arrangement with the Employment and Training Administration to establish employment goals for persons eligible for CETA programs.

Although it is far too early to make a definitive assessment of the Employment Initiatives, experience with this demonstration effort has highlighted some of the difficulties in incorporating CETA programs into coordinated development programs at the local level. In many cases, local officials have felt that they have had relatively little control of CETA programs. Despite the fact that the CETA system is decentralized, the regional office sometimes is viewed as the real administrator of the local programs.11/

Other problems have contributed to the difficulty. Communications and information sharing have been poor. For example, it appears that as of midsummer 1980, not all CETA prime sponsor directors involved in the Employment Initiatives demonstration had received or read the pertinent field instructions. They seemed to be unclear as to real priority assigned to this demonstration by the Department of Labor or the Administration. As

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11/Scales, "Linking Economic Development and CETA," Economic Development Policies to Reduce; Panel, "Issues in Delivering Development Assistance," Economic Development Policies to Reduce.

a consequence, there has been a lack of "follow through" on required actions. 12/

2. Rural Development Policy

In September, the Congress passed the "Rural Development Policy Act of 1980." 13/ This legislation is concerned, among other things, with the fragmentation of Federal programs for the development of rural America. It also addresses the need for capacity building in rural areas and small towns. The Act requires the Secretary of Agriculture to undertake a number of activities to provide for establishment and coordination of a national rural development strategy. The Secretary is required to prepare a comprehensive rural development strategy that is designed to:

-- Maximize the effectiveness, increase the responsiveness, and improve the delivery of Federal programs to rural areas;

-- Increase the coordination of Federal programs with the development needs, objectives, and resources of local communities, substate areas, States, and multistate regions; and

-- Achieve the most effective combinations of Federal, State, and local resources to meet the needs of rural areas for orderly growth and development.

The Secretary is given a lead role in developing cooperative and coordinated Federal efforts in this area and is authorized to establish working groups of ranking officials from other agencies to assist in the strategy development process.

D. Other Linkage Initiatives

The foregoing described two Federal-level approaches to the problem of linking economic development programs with each other and with the employment and training system. More particularized applications of the linkage principles have been and are being tried. Some of these applications are reviewed in this section.

12/D. Pass, Report on Employment Initiatives, a report submitted to the U.S. Department of Labor, Employment and Training Administration, Office of Comprehensive Employment Development, unpublished (Washington, D.C., October 1980).

13/Rural Development Policy Act of 1980. PL 96-355. September 24, 1980.

One demonstration, the Community Economic Development Program (CEDP) was conducted in 10 cities over a 2-year period, predating the initiatives outlined above. The Departments of Housing and Urban Development, Commerce (EDA), and Labor jointly supported this demonstration to implement three principles which were considered innovative when the demonstration was begun:

-- Involving the private sector in economic development policymaking, planning, research, and in implementing and financing projects;

-- Building local capacity to identify economic weaknesses and strengths, to develop politically and fiscally sound policies, to devise appropriate responses and to carry out projects and programs; and

-- Coordinating the planning and spending of the Federal development funds received by the city into cohesive and sizable projects which will have a large impact on local employment and income.

The 10 cities that participated in the demonstration each received about $500,000 over a 2-year period for capacity-building activities, such as planning, research, and policy development activities, to build the principles permanently into its approach to economic development. Participating cities were to establish programs that suited their local needs.

Abt Associates of Cambridge, Massachusetts, evaluators of the program, noted that when the demonstration was initiated, CETA programs and CDBG were fairly new and that EDA was just beginning to become involved with central cities. In terms of outcomes of the programs, the evaluators found that the cities did develop the capability of packaging Federal funds for economic development more efficiently than in the past. Additionally, there was a substantial increase in the use of funds from city and Federal sources. Consequently, some of the cities were able to initiate much larger scale projects than they had been able to in the past. The evaluation did observe, however, that "most of the cities were distinctly unsuccessful in their efforts to integrate CETA into the economic development process, although even here several cities took promising first steps."14/

14/Abt Associates, An Evaluation. Rita Bosek in an unpublished review of CEDP made for the National Council on Urban Economic Development, made the same observations concerning the CETA programs.

Three factors were found to help facilitate coordination: (1) active involvement of the chief elected official, (2) prior experience in combining funds from different sources, and (3) legislative changes to encourage and aid coordination. 15/ These factors provide a local-level method of overcoming some of the program fragmentation. The CEDP was a precursor of the Targeted Jobs Demonstration that is now underway.

Another small-scale demonstration, called the Negotiated Investment Strategy (NIS), is being conducted in three cities in U.S. Region V (Columbus, Gary, and St. Paul). Under the NIS, an attempt is being made to find ways to construct a comprehensive national urban policy from the "bottom up," based on community needs. The NIS addresses the three barriers discussed above and also provides a method for meshing national interests and goals through decentralized systems. Its designers believe that they have formulated a procedure whereby "local needs and national and regional objectives are addressed as a package rather than as hundreds of separate projects and programs."16/

The following are the elements of the NIS process: 17/

-- Selection of an impartial mediator;

-- Organization of negotiating teams representing the city, the State, and the Federal government;

-- Exchange of information before formal proposals are written;

-- Preparation of a written agreement containing mutual commitments; and

-- Review and adoption of the written agreement with monitoring of subsequent performance by each party.

In Columbus, the mayor was the leader of the city's negotiating team; the Lieutenant Governor headed the State's team; and the Federal team was led by the Regional Representative of the Secretary of Labor (serving as the designee of the Chair of the Federal Regional Council). The city's team included representatives of the private business sector as well as city officials.

15/Abt Associates, An Evaluation.

16/J. Kunde, "Moving From Concepts to Tests," Nation's Cities Weekly 2, no. 48 (November 1979).

17/U.S. Conference of Mayors, "Columbus: Case Study in the City's Linkages Between Economic Development and Employment Opportunities," (Washington, D.C.: U.S. Conference of Mayors' Employment Initiative Project, July 1980).

The negotiating process was extensive and intensive, requiring about one full year to conclude. The resulting agreement addressed downtown revitalization, neighborhood revitalization, riverfront beautification and a range of physical and social development activities. Federal support of the improvements amounted to more than $480 million over a several-year period and it was estimated that more than 4,500 job opportunities ultimately would be created. It was agreed that 20 percent of all construction and permanent jobs would be filled by CETA-eligible people. 18/

A related rural-oriented activity is underway in the State of North Carolina. A Federal-State-local Rural Development Coordinating Committee is attempting to oversee and coordinate rural development efforts.19/ The committee is chaired by the Governor with the Director of Natural Resources and Community Development serving as vice chairman. Federal members of the committee include the FmHA Area Coordinator, the Area Director of HUD, the State EDA Director, and the Director of the Southeastern Federal Regional Council. Other State Government members are representatives of departments concerned with development. Representatives of local governments are also included, as is the president of the State's community action agencies' association.

The Rural Development Committee has four major responsibilities:

-- To determine which rural growth centers will receive assistance under the agreement that established the committee;

-- To set comprehensive goals for the project sites;

-- To recommend specific activities for the project sites; and

-- To ensure that decisions made by the Federal funding agencies are consistent with the State's growth policy.

North Carolina's Rural Development Coordinating Committee is a relatively recent development, started in 1979. It is probably too soon to look for or expect outcome measures other than those involving process results. The Committee is now recommending programs and demonstrations that do fit within the State's balanced growth plan, and it has developed replicable procedures for concerted, joint funding efforts in rural areas. 20/

18/Ibid.

19/See MDC, Inc., North Carolina.

20/Ibid.

Finally, the First-Source Agreement plan developed in Portland, Oregon, is an example of a locally developed linkage program that involved Federal economic development, local tax incentives, vocational education, and CETA programs.21/ A West German firm, Wacker-Chemie, was seeking to establish a plant on the West Coast that would manufacture computer chips. The City of Portland was able to package a number of incentives that tilted the firm's decision toward Portland. The incentives included the assembly of land for the plant at an attractive price and a several year tax advantage on the property. In return for this assistance from the city, Wacker-Chemie signed the first-source agreement that is expected to provide about 900-1,000 jobs.

Under the agreement, Wacker pledged to give the city the first opportunity to fill the vast majority of all jobs that would open at the new plant. The local CETA administration was assigned responsibility for referring candidates for the jobs. The local community college converted an industrial building for use in training the CETA clients to grow, cut, and polish silicon crystals. Wacker advised the community college on the training curriculum and donated the necessary equipment.22/

This section has reviewed several recent efforts to overcome implementation problems that result from diffusion of responsibility for economic development programs and the separation of these programs from the employment and training and education systems. Other possible remedies include various forms of program consolidation. 23/

21/Willamette University et al., Conference on the Private Sector and CETA Background Papers (Salem, Oregon: Willamette University, Center for Business-Government Studies, February 1980); National Council for Urban Economic Development, Case Studies: Linking Employment and Training Programs with Economic and Community Development (Washington, D.C.: National Council on Urban Economic Development [CUED] August 1979).

22/For other examples of State and local linkage efforts see Schmenner, "Industrial Location and Government Policy," Economic Development Policies to Reduce; E. Ginzberg, "Overview: The $64 Billion Innovation," in Employing the Unemployed, ed. E. Ginzberg (New York: Basic Books, 1980).

23/For example, the National Governors' Association adopted the following policy recommendation in the summer of 1980: "Renewed attention should be given to the consolidation of federal programs related to economic development to eliminate unnecessary duplication and provide greater flexibility in the use of funds to meet local needs. Specific areas where such consolidations should be considered include: state and local planning assistance programs; business loan and loan guarantee programs; water and waste facilities grants and loans; industrial and economic development grants and loans; and other federal public works and community infrastructure grants and loans."

With the passage of CETA in 1973 and the Community Development Block Grant program in 1974, the Congress addressed the problem of fragmentation within some program areas through legislative consolidation. It has yet to address fragmentation among economic development programs.

Examples of program consolidation might include: (1) assigning economic development responsibilities to one congressional committee in each House of Congress; (2) placing administrative economic development responsibility in a single Federal agency; or (3) assigning the planning and implementation responsibility to State or local elected officials on a block grant type basis.

E. Conclusion

This project on economic development policies to reduce structural unemployment began with the premise that Federal development programs created jobs that could be a source of employment for the structurally unemployed. However, the linkages needed between the federally supported employment and training system and the development programs are absent. Demonstration projects over the past 5 years have highlighted both the problems and the potential for joining them in ways that benefit disadvantaged members of society. Economic development programs can and should be used as tools for the reduction of structural unemployment, but this will require some redirection of both training and development programs.

There are several, not mutually exclusive, ways that might be considered in directing development assistance. They are: (1) targeting on low-skill, labor-intensive industries, (2) requiring that a firm receiving assistance draw a proportion of its new hires from the structurally unemployed, (3) encouraging community and neighborhood groups to establish new ventures in or near the communities in which the structurally unemployed reside, and (4) making training programs for the structurally unemployed an integral part of the local program using Federal development assistance. To adopt one or a combination of these possible approaches will require some changes in both training and development programs and their delivery systems.

PART III

COMMISSION ACTIVITIES

DURING 1980

MAJOR COMMISSION ACTIVITIES OF 1980

The Commission concentrated on two issues in 1980: economic development as a means of reducing structural unemployment, and the status of women in the labor market. Findings and recommendations on economic development, as well as a staff background report, are included in this volume. The Commission's policy report, "Increasing the Earnings of Disadvantaged Women," will be issued early in 1981.

In order to gather evidence on these and related questions, the Commission and its staff sponsored and conducted research and held seminars and meetings. Descriptions of research that resulted in Commission Special Reports may be found in Appendix A; seminars and meetings in Appendix B; and the staff listing in Appendix C.

During 1980, Dr. Eli Ginzberg was reappointed Chairman of the Commission for a 3-year term. Pedro Garza, National Director of SER-Jobs for Progress, and the Reverend Leon Sullivan, Zion Baptist Church, Philadelphia, and founder of Opportunities Industrialization Centers, were appointed to the Commission for 3-year terms. Two members' terms expired after distinguished service to the Commission: Michael Dukakis, former Governor of Massachusetts and currently at the Kennedy School of Government at Harvard University, and Roy Escarcega, Senior Vice President of The East Los Angeles Community Union. Their interest and advice are especially reflected in this year's work on economic development and structural unemployment. Also, with the addition of the Secretary of Education, the membership of the Commission now stands at sixteen: The Secretaries of Education, Health and Human Services, and Labor; the Administrator of the Veterans Administration; the Chair of the Equal Opportunity Commission; the Director of the Community Services Administration; a representative of the National Advisory Council on Vocational Education (NACVE); and nine Presidentially appointed public members. NACVE and the Commission are each legislatively required to report on the other's work. These reports appear in this volume as Appendix D.

In December of 1979, Isabel Sawhill resigned as Director of the Commission staff to become Director of the Employment and Labor Program at The Urban Institute. In her 2 years as Director, the staff was expanded and strengthened and high standards of quality were achieved. During the first half of 1980, Ralph Smith ably acted as Director of the Commission staff and is responsible for much of the work of the past year. In July of 1980, Daniel Saks became the new Director of the Commission staff.

Saks is on leave from the Department of Economics at Michigan State University and joins the Commission after a year on the Senior Staff of the President's Council of Economic Advisers. The permanent staff was further strengthened by the addition of Dr. Stephen Baldwin, who came from the Bureau of Labor Statistics; Dr. Patricia Brenner, who came from the faculty of Grinnell College; Dr. Janet Johnston, who came from the Labor Department where she has been editor of the Employment and Training Report of the President; and Dr. Steven Sandell who came from the faculty at the Ohio State University.

The Commission developed two research advisory groups this year. One group was formed to give advice on monetary and fiscal policies and their relation to employment and training programs. A listing of this panel may be found in Appendix C. Commissioner Garza is forming a group of experts on Hispanic labor market problems to help with the Commission's work on the subject over the coming year.

The Commission met three times during 1980: April 25, October 2, and December 4-5. The April meeting was concerned with the formulation of a statement of findings and recommendations on the role of employment and training policies in contributing to an overall economic strategy for the early eighties. This statement was sent to the President and the Congress on May 21 and is included as Appendix E of this report.

At the October meeting, the members discussed economic development policies to reduce structural unemployment. The subject was continued at the December meeting and resulted in the present statement of findings and recommendations. Members also determined the outline of recommendations to be made on improving the position of disadvantaged women in the labor force.

1981 Agenda

The Commission's first focus in 1981 will be on issues in the upcoming reauthorization of the Vocational Education Act. Current plans call for a conference and a statement of findings and recommendations in early summer.

The Commission will conduct and sponsor research on labor market difficulties of Hispanics. The Commission expects to holds at least one conference and to issue findings and recommendations and a special report on this topic.

The Comprehensive Employment and Training Act is due to be considered for reauthorization in 1982. That debate, coinciding with consideration of other key elements of the employment and training system, should be the occasion for a general analysis of the rationale and effectiveness of Federal employment and training policy. This broad issue will be the main focus of Commission activities over the next 2 years.

Finally, the Commission will continue to regularly examine how the overall state of the economy affects and is affected by the employment and training system. Research by consultants and staff will continue with the advice of the Macroeconomic Advisory Panel.

APPENDIX A

SPECIAL REPORTS OF THE COMMISSION, 1980

The Commission's series of Special Reports, now numbering 38, is designed to report on Commission staff studies, transmit consultants' work, or provide proceedings of conferences. During 1980, four Special Reports were issued.

Special Report Number 35, Tell Me About Your School, was writtern by NCEP Chairman, Eli Ginzberg, with the assistance of Glenn Marshall and Gwendolyn Barnes. The authors interviewed 80 young people, ranging in age from 10 to 15 who live in New York City's Harlem area, about their perceptions of school and future jobs. Policy directions and themes emerging from the interviews are discussed.

Special Report Number 36, National Commission for Manpower Policy: The First Five Years, was also written by Dr. Ginzberg. The volume is a compilation of the forewords of the Commission's policy reports, special reports and books, and gives a sense of the work and directions of the Commission as it has developed.

Special Report Number 37, Expanding Employment Opportunities for Disadvantaged Youth: Sponsored Research, is a companion piece to the Fifth Annual Report. The volume was designed by staff member Carol Jusenius who developed and monitored the research reported here. Various causes of the difficulties youth face in the labor market are discussed.

Special Report 38, Education, Sex Equity and Occupational Stereotyping, is the product of a seminar held in connection with staff work on problems of women preparing for work. Staff member Patricia Brenner organized the seminar and selected the authors. The volume focuses primarily on young women in vocational education and the occupational results of vocational as well as secondary education.

APPENDIX B

MEETINGS AND CONFERENCES OF THE COMMISSION, 1980

As described earlier, the Commission held three formal meetings during 1980: April 25, October 2 and December 4-5. Two sets of findings and recommendations resulted from these meetings. The Commission also held meetings coordinated by the staff to collect or disseminate information and views.

The first staff-level conference was a seminar designed to elicit views and information on vocational education, sex equity, and education from those active in the field or doing research in these specific areas. It was coordinated by staff member Patricia Brenner and was held at Georgetown University on May 5 and 6.

On September 17-18, work in the area of women in the labor market continued with a conference on the experience of disadvantaged women in employment and training programs. Staff member Wendy Wolf convened this meeting to hear the views of all levels involved with these programs--from policy designers to program implementors.

The largest conference of the year was held on October 1-2, on economic development policies to reduce structural unemployment. The purpose of the conference was to bring together research done for the Commission as well as to brief the Members on the issue. Staff members Everett Crawford and Carol Jusenius coordinated the meeting.

The Commission staff continued the informal series of dinner seminars begun in 1978. The Rockefeller Foundation generously has continued its support of this series, which brings together policymakers on congressional and administration staff as well as practitioners and other interested parties to exchange views in a neutral setting. Dinners focused this year on women in education, women in unions, economic development strategies, and fiscal and monetary policies.

APPENDIX C

COMMISSION STAFF, 1980

In December of 1979, Isabel Sawhill resigned as Director of the Commission staff to become Director of the Employment and Labor Program at The Urban Institute. In her 2 years as Director, the staff was expanded and strengthened and high standards of quality were achieved. During the first half of 1980, Ralph Smith ably acted as Director of the Commission staff and is responsible for much of the work of the past year. In July of 1980, Daniel Saks became the new Director of the Commission staff. Saks is on leave from the Department of Economics at Michigan State University and joined the Commission after a year on the Senior Staff of the President's Council of Economic Advisers. The permanent staff was further strengthened by the addition of Dr. Stephen Baldwin, who came from the Bureau of Labor Statistics; Dr. Patricia Brenner, who came from the faculty at Grinnell College; Dr. Janet Johnston, who came from the Labor Department where she has been editor of the Employment and Training Report of the President; and Dr. Steven Sandell who came from the faculty at the Ohio State University.

During 1980 the staff included:

Daniel H. Saks, Director (on leave from Michigan State University)

Ralph E. Smith, Deputy Director

Research and Policy Analysts:

Robert G. Ainsworth
Stephen E. Baldwin
Howard S. Bloom (visiting from Harvard University)
Patricia D. Brenner
Everett Crawford
Patricia W. Hogue
Janet W. Johnston
Carol L. Jusenius
Sara Kaltenborn (on detail from the Justice Department)
Steven H. Sandell
Wendy C. Wolf (visiting from the University of Arizona)

Administrative Staff:

Sara B. Toye, Assistant Director for Administration

Robert R. Behlow, Librarian

Barbara Z. MacNeill, Administrative Assistant

Laura von Behren, Publications and Conference Coordinator

Velada G. Waller, Secretary to the Director

Secretaries:

Deborah G. Hackett

Norletta A. Jones

Linette C. Savoy

Karen Wilson

Research Assistants:

Randy Albelda

William Avila

James Bell

Alyson Hennelly

Robert Schmid

COMMISSION ADVISORY PANELS

Two advisory panels were created during 1980 to advise staff and Members on research. The first panel will advise the Commission and the staff on the relation between national fiscal and monetary policies and the national employment and training system. The second, currently being formed by Member Garza, will focus on Hispanic labor market problems. As of the end of 1980 this panel's membership had not been confirmed.

Members of the Advisory Panel on Macroeconomic Policy

Dr. Robert Solow, Chairman
Institute Professor of Economics
Massachusetts Institute of Technology

Dr. Moses Abramovitz
Coe Professor of American Economic History Emeritus
Stanford University

Dr. Orley Ashenfelter
Professor of Economics
Princeton University

Dr. Frank S. Levy
Senior Research Associate
Income Security and Pension Policy Program
The Urban Institute

Dr. Glenn Loury
Professor of Economics
University of Michigan

Dr. Alicia H. Munnell
Assistant Vice President and Economist
Federal Reserve Bank of Boston

Dr. Isabel V. Sawhill
Director
Employment and Labor Program
The Urban Institute

Dr. James Tobin
Sterling Professor of Economics
Yale University

Dr. Eli Ginzberg
Chairman
National Commission for Employment Policy

APPENDIX D

COMMENTS OF THE NATIONAL ADVISORY COUNCIL ON VOCATIONAL EDUCATION ON THE REPORTS OF THE NATIONAL COMMISSION FOR EMPLOYMENT POLICY

The National Advisory Council on Vocational Education is required to comment annually on the reports of the National Commission for Employment Policy, under provisions of the Education Amendments of 1976 (P.L. 94-482, Title II).

The Commission's Fifth Annual Report, dated December 1979, was Expanding Employment Opportunities for Disadvantaged Youth. The Commission calls for a new commitment to improve the employment prospects of disadvantaged youth, which should be based on a broad coalition of federal, state, and local governments, business, labor, education, and community-based organizations, with special emphasis and responsibility placed at the local level. The federal resources should be targeted on youth most in need, with the major objective of improving their long-term employability and integration into the regular work force.

The National Advisory Council, having addressed the issue of Youth Employment in reports and testimony from the point of view of the role and responsibilities of vocational education, is in full accord with the goals and principles expressed in the Commission's Fifth Report. The Council has strongly urged a comprehensive approach in dealing with youth employment problems, with linkages between education, employment and training programs, and the private sector. The Council believes that the educational component should be stressed more than it has been in the past, with emphasis on basic skills and compensatory education as well as on up-to-date and relevant vocational training programs.

Work experience or short term training programs alone will not, in most cases, provide disadvantaged youth with the employability skills they need to compete for unsubsidized jobs which are not dead end in nature. Education has a major role to play in this critical endeavor. The Council takes the view that the responsibilities of education administrators, boards, and teachers extend beyond the school yard, deep into the community. It urges that educators take the initiative in developing innovative approaches in full cooperation with other groups in the community which share responsibility for preparing young people for employment opportunities.

The Council is currently working with the National Institute for Work and Learning to establish, on a demonstration basis, several Community Resource Centers which would be funded jointly through vocational education and CETA. Working through local education-work councils, the project would pool the resources of various segments of the community to provide guidance, referral, and other services to out of school, disadvantaged youths. We anticipate that such a demonstration will yield information regarding many of the concerns expressed in the Commission's Fifth Report.

The Council notes with particular interest the specific recommendations to broaden opportunities for minority and female youth. The questions of access and equity in vocational education have a direct bearing on the broader issue of providing equal opportunities in employment. The Council has just completed a series of hearings and a study, conducted jointly with the National Advisory Council on Women's Educational Programs, on sex equity in vocational education. The report will be available early in 1981, and will provide useful information regarding sex equity issues.

Interaction between the National Advisory Council and the National Commission has increased significantly during the past year, at both the membership and staff levels. The Council wishes to express its appreciation to the Chairman of the Commission and his staff for their cooperation. During the next two years, reauthorization of both the Vocational Education Act and CETA will occur and will focus the attention of both groups on many common interests and concerns. We look forward to an even closer working relationship between the Council and the Commission during this period.

COMMENTS OF THE NATIONAL COMMISSION
FOR EMPLOYMENT POLICY ON THE REPORTS OF THE
NATIONAL ADVISORY COUNCIL ON VOCATIONAL EDUCATION

The National Commission for Employment Policy is required to comment annually on the reports of the National Advisory Council on Vocational Education under provisions of the Comprehensive Employment and Training Act Amendments of 1978 (P.L. 95-524, Title V).

The Council has issued two reports since the Commission issued its last annual report. They are Preparation for Self-Employment: A New Dimension in Vocational Education, Issue Paper Number 1, January 1979, and The Education of Nurses: A Rising National Concern, Issue Paper Number 2, May 1980.

Self-Employment

As part of its plan of work for 1979 and 1980, the National Advisory Council on Vocational Education (NACVE), undertook a broad-ranging investigation of the question, "What should be the Federal role in vocational education?" The Council intended to publish a series of issue papers dealing with topics of particular concern to vocational education--an aim consistent with the need to prepare for the forthcoming congresssional hearings on reauthorization of the Vocational Education Act of 1963, scheduled for 1981.

Issue Paper Number 1 focused on self-employment, since the Council believes that entrepreneurship activity is a by-product of the vocational education experience that should be more strongly developed, particularly in a service-oriented economy where small businesses can have a significant impact on providing jobs.

The Council acknowledged, however, that it has very little data on the kinds of programs to entrepreneurial activity that exist at any governmental level and requested readers of the report to provide additional information wherever possible. In addition, it recommended reexamination of public policy to determine how all levels of government might be discouraging the formation of small businesses encouragement of business to redefine employment in more entrepreneurial terms further study of how to modify educational programs to prepare people for entrepreneurial work and a general enlargement of the conception of employment policy to include and emphasize incentives for self-employment.

The Commission recognizes that private enterprise, particularly small businesses, currently provides over 80 percent of all jobs in our economy. The Commission is also aware that a new small business can generate many additional jobs over the long run. Accordingly, it applauds the efforts of the Council to explore ways that vocational education programs can promote self-employment and concurs in the recommendations for directing attention to this neglected area of training. The Commission will consider this further in its own work in the development of recommendations for the reauthorization of the Vocational Education Act.

Education of Nurses

A second issue paper, The Education of Nurses: A Rising National Concern, was prepared by NACVE in response to a proposal of the American Nurses' Association (ANA) to alter the process of nurses; training. This proposal, targeted for implementation in 1985, calls reducing the current four-level system to two levels of nursing: the professional nurse, who would be required to have a bachelor of science degree in nursing, and an assistant technical nurse, who would have an associate degree in nursing and work under the supervision of the professional nurse.

There are presently four ways in which nurses may prepare for their jobs. Registered nurses may receive their education through a four-year program leading to a baccalaureate degree, which is required for certain administrative, managerial, and some community health positions; a two-year associate degree program, offered by two- and four-year colleges and universities; or a three-year diploma program combining on-the-job training administered by hospitals with liberal arts courses taught at colleges and universities. All of these registered nurses must take an examination administered by a State board of nursing in order to receive licenses. Of the 1.2 million licensed R.N.'s, 13 percent have the bachelor of science degress, 20 percent have an associate degree, and 67 percent are diploma nurses. Practical nurses are trained in various educational settings, including high schools, vocational schools, colleges, and hospitals over period of 9 to 18 months. They must also pass an examination, different from that of registered nurses, for licensing. There are presently about 650,000 licensed practical nurses (L.P.N.'s).

The changes called for in the ANA proposal would eliminate outright the diploma nurses and the licensed practical nurse, the two largest categories, and the status of the associate degree nurse would become that of a technical assistant instead of a full-fledged nurse. Eighty-seven percent of all nurses training programs would be altered or eliminated, and only the bachelor of science program would remain intact.

The Council reviewed the proposal and discussed it with individuals, organizations, and institutions that would be affected by its adoption. It passed a strong resolution opposing the new system on the grounds that it would, if adopted, result in increased health care costs, reduced services to those with limited incomes (largely the poor and the aged), curtailed access to training programs by minority groups, and strained resources for training institutions responsible for establishing or expanding programs to accommodate national needs.

The Commission has reviewed summaries of the positions taken by health and relevant educational associations with respect to the ANA proposal, as well as the summary argument by the Council in opposition to the proposal. The Commission agrees with the Council that the proposed changes in nursing education are not desirable, particularly since they would severely restrict the access of many groups to training for the profession and would close off what are currently several viable options for persons desiring a career in nursing.

APPENDIX E

POLICY STATEMENT
OF THE
NATIONAL COMMISSION FOR EMPLOYMENT POLICY
ON
THE ROLE OF EMPLOYMENT AND TRAINING POLICIES
IN THE EARLY 1980s

May 1980

THE ROLE OF EMPLOYMENT AND TRAINING POLICIES IN THE EARLY 1980s

The National Commission for Employment Policy was established to advise the President and the Congress on the nation's employment and training needs, policies, and goals. With unemployment now at seven percent, persistently high inflation and a recession at hand, the Commission believes that employment and training strategies must be utilized to help alleviate the immediate burden of the recession and to contribute to a more stable economy over time. Nothing can more effectively defeat whatever employment gains minority citizens, women and young people have made during recent years than a prolonged recession and the inevitably higher unemployment that would accompany it.

Inflation and unemployment must be fought concurrently. To this end there is no substitute for effective monetary and fiscal policies. Still, employment policy, targeted properly and applied effectively, can help reduce the burden of a recession by providing temporary income support and employment and training opportunities. For the longer term, employment policy can make a significant contribution in assisting the structurally unemployed to obtain regular jobs; in restraining inflation; and in helping to move the economy toward full employment, the early achievement of which must remain a high priority national goal.

During the past two decades a number of programs and strategies have been designed to deal with recessions, as well as with long-term structural unemployment. The recommendations below are based on the Commission's review of this experience, and its preliminary assessment of the factors now contributing to rising unemployment. The Commission's objective is to recommend what it believes to be the most productive, non-inflationary programs, as well as appropriate monetary and budgetary decisions, to deal with present economic conditions and to offer guidance for the longer term. If the response to each crisis is not to be hastily designed, ill-timed, and ineffective, it is essential to understand which employment and training strategies work best in different situations, as well as how and when they should be used.

The Commission will continue to monitor the employment and unemployment consequences of the recession, and if the situation warrants, will make additional proposals. However, the Commission urges the early adoption of the following recommendations to help alleviate the immediate burden of the recession and to move toward a more balanced economy:

1. Monetary and fiscal policies should be established immediately that are consistent with steady, non-inflationary employment growth.

The strong federal responses to the financial crisis earlier this year should be replaced by a monetary and fiscal policy posture that aims to restrain the growth of unemployment and that will lead to a reduction in the overall unemployment rate as soon as possible, consistent with the accomplishment of other priority economic goals. Failure to do so will only exacerbate a national economic decline that already threatens to rival the recession of 1974-75 in length and severity.

2. Unemployment insurance, a major safety net for unemployed workers, should not be relied upon beyond 39 weeks. Monetary and fiscal measures must be pursued to prevent a prolonged recession. In addition, Congress and the Administration should immediately begin exploring the feasibility of permitting unemployment insurance benefits to be paid to workers who are being trained for scarce skills or who agree to a reduced work schedule in lieu of being laid off. The decision to participate in such an arrangement should be made jointly by the employer and the employee or his/her bargaining agent. For workers who have little prospect of being recalled, retraining or assistance in the search for work in new fields should be made available. For those still in need of assistance after 39 weeks, training and public employment opportunities would be preferable to the general extension of unemployment benefits.

3. Trade Adjustment Assistance benefits are growing rapidly. Their growth, along with the enactment of similar dislocation programs, highlights a particular type of employment problem which is exacerbated by a recession, as recent unemployment figures dramatically indicate. Legislation is now before Congress to extend these dislocation programs even further. It is clear that the performance of the economy is dependent in no small part on the ability of the United States to compete successfully against other advanced industrial economies where close cooperation exists among government, employers, and trade unions, especially with regard to the expansion of foreign trade. In addition, key American industries,

employing millions of workers, face major problems of restructuring to assure their long-term competitiveness.

As part of a long-term strategy the Commission recommends a thorough review of adjustment assistance and related programs. Such a review should examine the goals of adjustment assistance and the obstacles to achieving these goals and should provide for a clear articulation of the relationship between "special" employment protection programs and unemployment insurance. Adjustment assistance, like unemployment insurance, should not become a substitute for the implementation of more effective reemployment policies.

The adjustment assistance mechanism is neither broad enough nor deep enough to respond effectively to the restructuring problems that face parts of our major industries, such as the automobile and steel industries. Far more comprehensive policies and programs, requiring the cooperation of business, trade unions, and government, will be necessary to revitalize those weakened sectors which have the potential for recovery and to exploit fully the opportunities for economic growth at home and abroad.

4. Youth education and training programs aimed at improving the employability development and employment opportunities of disadvantaged youth should be expanded. Youth, especially minority youth, suffer disproportionate rates of unemployment at all times and during recession their employment losses tend to be greater than those incurred by older workers. Pending youth education and employment legislation should be enacted and initial funding authorized without delay for implementation of these youth programs.

5. Public Service Employment (PSE) is most effective when targeted on the structurally unemployed, those with the least attachment to the labor force, and those who have been unemployed the longest. PSE should not be viewed as a major countercyclical device but, when properly targeted on individuals and areas, should be expanded when recession deepens. There are limitations to the

additional numbers of workers state and local governments and non-profit organizations can quickly absorb, and careful planning is essential for the build up or phase down of the program. The purpose of PSE should not be to provide financial assistance to state and local governments to retain regular public employees; such an objective might better be accomplished through antirecessionary revenue sharing directed toward this purpose.

6. Public works are useful tools as part of a long-term strategy to increase employment in economically-depressed areas and, if in place, can be expanded in times of recession to provide additional employment opportunities. In general, they have not, in the past, been effective antirecessionary measures due to long start-up times.

7. National priority programs, such as energy conservation, transportation, community health care and other human services, operated directly through government entities or contracted through non-profit or for-profit organizations, offer opportunities to attack structural unemployment and inflationary pressures. In funding such programs the government should require the employment of a percentage of disadvantaged youth and adults. If the recession deepens, these programs should be expanded when they can be implemented on a timely basis.

8. Private sector involvement in employment and training programs, despite previous adverse experience, can be sustained during periods of recession. Two relatively new approaches for promoting such involvement, the Targeted Jobs Tax Credit (TJTC) and the Private Sector Initiatives Program, should be vigorously pursued. Marketing efforts on TJTC should be intensified, and the Private Industry Councils should be urged to identify skills in short supply, to seek to improve the content of training programs, and to expand private sector involvement into the entire public employment and training system.

9. Training, retraining, pre-apprenticeship training, and upgrading are valuable activities even in a recession, if tied to local labor market needs and real job opportunities. Training can be conducted at less

social cost in a period when labor markets are slack and should be an important part of both an antirecessionary and a long-term strategy. Now is a good time to begin to identify skills that are likely to be in short supply after the recession and to equip jobless workers with these skills.

10. Effective planning and delivery systems are crucial to the short- and long-term success of employment policies. This requires core program stability, adequate lead-time for program implementation, and flexibility to respond to local economic conditions. There can be no greater obstacle to either an antirecessionary or a long-term policy than constantly changing signals and hastily implemented or suddenly discontinued programs. Efforts should be continued to strengthen linkages between economic development, social services, income maintenance, education and employment programs. Prime sponsors and related service agencies should be encouraged to begin immediate development of local strategies to deal with the recession and be allowed the necessary flexibility to implement their local strategies, consistent with national goals.

NATIONAL COMMISSION FOR EMPLOYMENT POLICY
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APPENDIX F

December 12, 1980

MEMORANDUM FOR: RICHARD F. SCHUBERT
Head, Transition Team for
the Department of Labor

FROM: ELI GINZBERG, Chairman
National Commission for
Employment Policy

SUBJECT: Suggestions re Policy Directions for
Employment and Training Programs,
December 8, 1980

The following suggestions have been prepared in reference to your request made at your meeting with the Commission on December 4th. The members of the Commission have authorized me to write on their behalf, but I am responsible for the positions set out below. In order to get this memorandum into your hands at the earliest possible time, the Commission waived its usual process of clearance and rewriting. In addition, the Commission staff is preparing for you a briefing paper on employment and training issues.*

1. The Federal Government, which has spent through the Department of Labor (DOL) alone about $64 billion on employment and training programs since 1962, has not found an assured way for hard-to-employ persons to get and keep a regular job. The Federal efforts have, however, contributed to the realization of the following national goals: some disadvantaged persons, especially those who complete Job Corps, are placed in OJT, or go through an extended program of institutional training, do make successful transitions into regular jobs. Others, particularly many in PSE, have engaged in useful, often essential, work in their communities, earning a wage rather than receiving income transfers. Many young people and some mature women who have been afforded an opportunity to gain work experience and initial skills have been helped in their later search for employment. The majority of all employment and training monies has been expended for stipends, allowances, or wages increasingly targeted on disadvantaged persons, many of whom would otherwise have required other forms of governmental assistance.

* This paper,"Questions in the Redesign of the Employment and Training System," may be obtained from Commission headquarters.

2. If the Administration decides to cut back substantially on existing employment and training programs, it would be important to allow for an orderly phase out and for substitute programs to be put in place. Otherwise, the cuts would fall heavily on the most disadvantaged individuals, groups, neighborhoods, and cities.

3. The Commission has repeatedly expressed the view that PSE should not be relied upon as a primary tool of counter-cyclical policy and it recognizes that Congress has of late increasingly shared this view. The Reagan Administration should seek to improve the effectiveness of Federal expenditures for employment and training programs by strengthening Title VII and seeking ways of engaging the greater participation of small, as well as medium-sized and large, companies in hiring job-trainable or job-ready disadvantaged persons.

4. When the Commission a few years ago explored the issue of policy towards plant closing, it found Trade Adjustment Assistance (TAA) poorly designed, poorly integrated with other employment and training programs, expensive, and contributing little to the reemployability of workers who had been displaced. The new Administration should undertake an early review of this legislation and determine how changes could be introduced which would speed the retraining, relocation, and reemployment of displaced workers at a more realistic cost to the Federal Government.

5. The Commission, in preparing its 1979 Annual Report, Expanding Employment Opportunities for Disadvantaged Youth, became concerned that a higher level of effectiveness of ghetto schools was essential to any long-range program for improving the employment prospects of disadvantaged young people. Further, it concluded that the schools, local employers and the prime sponsors working together could ease the transition of many students into constructive training or regular jobs. With the reauthorization of the Vocational Education Act scheduled for 1981 and the reauthorization of CETA for 1982, care must be taken to strengthen the education-employment linkages.

6. The Commission, aware of the painful trade-off between numbers to be served and available Federal resources, has nevertheless repeatedly advised that a greater investment be made in serious training of a smaller number rather than spreading funds among too many. It hopes that the new Administration will recognize the soundness of this position

and move to adopt it. Better for one disadvantaged person to be trained and moved into a regular job than to offer inferior training to two, neither one of whom can make a successful transition.

7. The Commission is aware that the new Administration looks with favor on tax incentives and other special financing arrangements to quicken the economic development of severely strickened inner-city areas. Clearly new approaches need to be explored. But the Commission, as a consequence of its recent studies about to be released in its Sixth Annual Report, warns against any approach that does not recognize the need for continuing investment in improving the employability of persons living in such seriously deprived areas.

8. The Commission believes that considerable gains have been achieved in recent years in the use of employment and training dollars through Congressional emphasis on targeting and greater involvement of Community Based Organizations. But the Commission has repeatedly noted its concern for putting into place an adequate information system so that the DOL, the Congress and the American people have a firm basis for assessing the effectiveness of the total effort and for holding the primes and contractors accountable. The Commission looks to the new Administration to take early action to remedy this long-standing defect.

9. The Commission believes that the new Administration confronts opportunities to dovetail employment and economic policies more effectively than in the past. At the macro level, the President-elect during the campaign repeatedly stressed his determination not to seek to control inflation through increasing unemployment. In terms of specific Federal spending programs such as public works, energy, trade, defense and still others the Administration may be able to secure important employment goals while accomplishing other national objectives. The Administration will also need to develop an early position involving the recommendations of the Select Commission on Immigration (March) as well as a position on the employment of older workers, the focus of a White House Conference in December 1981.

10. The Commission has been impressed that employment and training policy and programs have commanded bipartisan support for most of the 19 years that they have been on the statute books. The Commission expresses the hope and expectation that the new Administration will, in designing new policies and programs, do its best to preserve and strengthen this tradition, essential for realizing the fuller potential and use of all of the Nation's citizens. In this effort the Commission pledges itself to assist the new Administration in developing improved responses to these critically important issues.

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Manpower Program Coordination, Special Report No. 2, October 1975
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(NTIS Accession No.: PB 291242)*

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* Reports listed above are available from the National Technical Information Service (NTIS) at 5285 Port Royal Road, Springfield, Virginia 22151. Please use accession numbers when ordering.

• Reports listed above are available from the National Commission for Employment Policy at 1522 K Street, NW, Suite 300 Washington, D.C. 20005

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(NTIS Accession No.: PB 296728)*

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* Reports are available from National Technical Information Service (NTIS), 5285 Port Royal Road, Springfield, Virginia 22151. Use accession numbers when ordering.

• Reports listed above are available from the Commission at 1522 K Street, N.W., Washington, D.C. 20005.

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From School to Work: Improving the Transition, Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402, August 1976. Stock No. 040-000-00364-9. Price $3.00.

Employability, Employment and Income: A Reassessment of Manpower Policy, Olympus Publishing Company, Salt Lake City, Utah 84105, September 1976.

Jobs for Americans, Prentice-Hall, Inc., Englewood Cliffs, New Jersey 07632, October 1976.

Youth Employment and Public Policy, Prentice-Hall, Inc., Englewood Cliffs, New Jersey 07632, 1980.

U. S. GOVERNMENT PRINTING OFFICE : 1981 725-372/1034